Austria . . . Sch. 18	Indonesia . . Rp 2500	Portugal . . . Esc 80
Bahrain . . Din 0.650	Italy . . . . L 1300	S. Arabia . . Rls 6.00
Belgium . . BFr 38	Japan Y550	Singapore . S$ 4.10
Canada . . . C$2.00	Jordan . . . Fils 500	Spain . . . . Pta 110
Cyprus . . . C£0.60	Kuwait . . . Fils 500	Sri Lanka . . . Rup 30
Denmark . . Dkr 7.25	Lebanon . . L£ 8.00	Sweden . . Skr 6.50
Egypt . . . E£1.00	Luxembourg . LFr 38	Switzerland SFr 2.20
Finland . . Fmk 6.00	Malaysia . . Rm 4.25	Taiwan . . . NT $35
France . . FFr. 6.80	Mexico . . Pes. 300	Tunisia . . Din 0.600
Germany . DM 2.20	Morocco . . Dh 6.00	Turkey . . . L 210
Greece . . . . . Dr 70	Netherlands . Fl 2.50	U.A.E. . . . Dh 6.50
Hong Kong . HK$ 12	Norway . . Nkr. 6.00	U.S.A. . . . $1.50
India . . . . Rup. 15	Philippines . Pes. 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,661 Friday June 28 1985 D 8523 B

Argentines put their money behind Alfonsin, Page 5

World news

US budget deficit talks resume

Negotiations between members of the U.S. Senate and the House of Representatives over the shape of the 1986 federal budget deficit resumed unexpectedly after Thomas O'Neil, the Democratic House Speaker, signalled a willingness to compromise on the key issues of military and social security spending.

The resumption of the talks, which reached deadlock earlier in the week, was announced as the Reagan Administration's budget director, David Stockman, met with Republican majority leader Senator Robert Dole and Pete Domenici, Republican chairman of the Senate budget committee.

The signs of movement on a budget compromise coincided with the release of a study by the Congressional Budget Office which has reinforced fears that President Ronald Reagan's proposed tax reforms could cut at least $23bn from the Government's revenues over the next four years. Page 5

Bush warning

U.S. Vice-President George Bush warned the European Commission of the strength of political pressure within the U.S. for a more aggressive agricultural trade policy. Page 2

Grenada trial

The trial of 19 former left-wing leaders accused of murdering Prime Minister Maurice Bishop of Grenada was adjourned. The defence said they were being inhumanly treated in prison.

S. Africa link cut

Sweden, Norway and Denmark announced plans to end their civil aviation agreements with South Africa as a further sanction against apartheid. Page 2

Diplomat expelled

Syrian diplomat Ahmed Walid Rajab, who claimed diplomatic immunity to avoid a court order to quit a London flat, is to be expelled from Britain, the Foreign Office announced.

Italian kidnapping

Gunmen abducted Marquise Isabella Guglielmi, a member of an Italian noble family, outside the family estate north of Rome.

U.S. labour setback

The U.S. Supreme Court dealt a setback *to the labour movement* by ruling that workers have the right to resign from a union during a strike.

Sudan troops

Sudan has put its troops on full alert in the southern military area of Equatoria after rebels said they were preparing to attack the Bor garrison.

Submarine search

A British nuclear submarine hunted in vain for the flight recorders from the Air India jumbo jet that plunged into the Atlantic, killing 329.

Airline bomb scare

Police searched a Canadian airliner in transit at Paris on its way from Munich to Toronto after a bomb scare.

Newspaper strike off

Printers and journalists voted to end a nine-day strike which hit production of Rupert Murdoch's flagship *national* newspaper The Australian after a court ordered unions to negotiate with management.

EEC union poll

More than half of EEC adults are indifferent or opposed to moves towards political union, according to a poll sponsored by the European Commission.

Business summary

London equities recover from low

LONDON equities lost further ground. By mid-afternoon prices were down to their lowest levels since December 13 with traders increasingly pessimistic. After-hours sentiment changed quite dramatically and a technical recovery touched off renewed demand. The FT Ordinary index fell a further 2.6 to 933.9. Gilts were firm as sterling improved. Page 44

TIN: Sharp fall in values on the London Metal Exchange was restricted by a limit on movements in the cash price. Standard grade cash tin fell £650 ($825) to £9,675 a tonne, more than wiping out £435 rise to a record £10,325 on Wednesday. Page 24; *Commodities, Page 40*

WALL STREET: At 3pm the Dow Jones industrial average was up 8.96 at 1,332.77. Page 48

FRANKFURT shares recovered some of the losses of the previous session, taking the Commerzbank index up 11.50 to 1,411.2. The bank also restated Wednesday's loss as 33.5, not the 60.30 fall it had previously reported. Page 48

TOKYO was hit by profit-taking and the Nikkei-Dow market average dropped 68.69 to 12,841.60. Page 48

DOLLAR was firm in London, rising to DM 3.059 (DM 3.043), SwFr 2.564 (SwFr 2.5325), FFr 9.3175 (FFr 9.2725) and Y248.95 (Y248.4). On Bank of England figures, the dollar's exchange rate index rose from 144.3 to 144.6. Page 41

STERLING lost 60 points against the dollar in London to finish at $1.2925. It also lost ground to FFr 12.04 (FFr 12.05) and Y322.0 (Y322.75), was unchanged at DM 3.955 and improved to SwFr 3.3125 *(SwFr 3.295). The pound's exchange* rate index was unchanged at 80.6. Page 41

GOLD: In New York the Comex August settlement was $319.00. Gold fell $0.25 on the London bullion market to $317.00 and by $1.25 in Zurich to $316.00. Page 40

FRENCH Government watchdog, the Cour des Comptes, has sounded warnings about the financial state and structure of three state enterprises, Aerospatiale, Gaz de France and CDF-Chimie.

FRANK B. HALL, U.S. insurance broker, is raising around $28m through a private placement of 6.3 per cent of its equity with European institutional investors at $28.375 a share.

MILLS & ALLEN, London money broker and financial services group, is to buy Gintelco, New York-based corporate bond broker, for an initial $20m, and up to $5.5m more based on the U.S. group's profits over the next three years. Page 33; Lex, Page 24

LUFTHANSA, the West German airline, is on the verge of signing a contract worth more than $400m for up to 15 of the new European Airbus A-320, 150-seat twin-engined airliners. Page 6

ENSERCH, U.S. engineering and energy conglomerate, is taking a $225m pre-tax write-down on its oilfield services operations, which have operated at a loss in every quarter since late 1982. Page 25

ELDERS IXL, wide-ranging Australian conglomerate, concedes that it will have to surrender majority control over the retail bank it hopes to set up if federal approval is granted. Page 29

CITIBANK, U.S. banking group, plans to have branches in 10 West German cities by the end of this *year to strengthen* business ties with medium-sized companies. Page 25

ROBERT BOSCH, West German electrical and vehicle parts group controlled by a charitable trust, expects to equal last year's record profit in 1985 and lift sales over DM 20bn ($6.5bn) for the first time. Page 25

Paris and Bonn try to win back lead EEC role

BY QUENTIN PEEL IN BRUSSELS AND RUPERT CORNWELL IN BONN

FRANCE and West Germany yesterday *attempted to resume their* roles as principal architects for the development of the European Community by urging adoption of a Treaty of European Union by the summit opening in Milan today.

Their joint initiative was announced in the Bundestag by Chancellor *Helmut Kohl and confirmed* in Paris by a spokesman for President François Mitterrand. It will be seen by other heads of government as a bid to regain some of the initiative on the development of EEC policies and procedures which has been lost to Britain's active, and *quite successful promotion of its* own set of proposals.

Sig Bettino Craxi, the Italian Prime Minister and host of the two-day summit in Milan, has placed the whole subject of institutional reform – including the plan to call a fully-fledged conference to draft a Treaty of European Union – top of the agenda.

All the heads of state and government have pledged themselves to come up with firm proposals for reform, rather than a vague exhortation. Wide differences remain, however, about how far they are prepared to go, either to abandon national sovereignty or to extend the present economic competence of the Community into the political domain.

Neither Paris nor Bonn provided any *details of their plan, but* Chancellor Kohl said that it was the product of intensive consultations with some other member-states, including Britain and Italy.

British *officials*, who received the final draft yesterday afternoon, said it was broadly in line with the UK's *ideas for strengthening for*eign policy co-ordination based on the creation of a new secretariat. An additional ingredient was a proposal for creating a small secretariat to serve the European Council – the thrice-yearly meetings of EEC heads of government.

There were differences of emphasis in yesterday's public statements from Paris and Bonn as to whether any major changes should be negotiated by a full-blown inter-governmental conference charged with drawing up a new treaty. This is favoured by Italy and the Benelux *countries as well as the European* parliament, but mildly opposed by the UK – backed by Greece and Denmark – which believes that all necessary reforms can be agreed at a summit.

Chancellor Kohl favoured devoting a maximum of 12 months to try*ing to reach unanimous agreement.* If the effort failed then "the question will arise of whether we should have more direct talks with those countries which are ready to proceed further."

M Mitterrand's spokesman was *more equivocal, saying that France* could accept decisions from a summit.

The key document for debate is the report of the Dooge committee, commissioned 12 months ago at the Fontainebleau summit from the personal representatives of the 10 EEC leaders.

The majority of the committee, including all six representatives of the original EEC member-states, came down firmly in favour of calling an inter-governmental conference to draft a Treaty of Union, and on measures to restrict the powers *of national veto.*

Britain has tabled a series of proposals for Milan, including measures for increasing the use of majority voting, for making the use of "vital national interests" to block decision-taking more difficult, and a draft agreement to formalise for*eign policy co-operation, including* security questions.

Mrs Thatcher will argue that decisions could be taken on those measures by the heads of state themselves, without calling any conference. They could be referred to relevant national officials for *drafting in detail, with final* approval to be given at the next EEC summit in Luxembourg in December.

The British proposals, however, fall far short of the ambitions of the European Parliament.

Bonn relaxes insistence on strict exhaust rules

BY PAUL CHEESERIGHT IN LUXEMBOURG

WEST GERMANY yesterday sought to bring an end to the EEC squabble over new standards for cutting pollution from car exhausts by relaxing its insistence on environmental measures too strict for most of its partners to accept.

Herr Friedrich Zimmermann, the Interior Minister, told EEC environment ministers meeting in Luxembourg that proposals on future emission limits for carbon monoxide, *hydrocarbons and nitrogen* oxide presented by the European Commission were "sensible."

This was the first clear indication that the Bonn Government is prepared to face the wrath of the German environmental lobby and accept standards which hitherto it has classified as too lax.

The German concession came early in negotiations which are crucial in maintaining the integrity of the European car market and in establishing technical guidelines for car manufacturers working on new ranges for the 1990s.

The Bonn Government needs a rapid EEC agreement so that it can introduce, legally, a battery of incentives to encourage car buyers to purchase "clean" cars from July 1.

But the concession is not enough for the UK and France, which made clear that the commission proposals are too strict and do not meet key criteria in an agreement of last March – that the standards be flexible enough to allow them to be met not only by three-way catalytic converters as West Germany *wants*, but also by new "lean burn" engines.

As the meeting continued into the evening, the Ten were waiting for a joint plan from Italy, president of the council, and the commission to try to bridge the gap.

But they were conscious that any plan which implies a relaxation would run into implacable opposition from Denmark, whose position, spelt out again yesterday, remains the one with which the Germans started.

Italy 'must take urgent action to cut borrowing and inflation'

BY PAUL BETTS IN PARIS

ITALY must take urgent action to reduce its huge government borrowing requirement and bring down inflation durably to prevent the country's economic *situation* deteriorating, the *Organisation for* Economic Co-operation and Development (OECD) warns in its annual review of the Italian economy, published today.

OECD FORECASTS FOR ITALIAN ECONOMY (percentage increases)

	1984	1985	1986
Total domestic demand	3.1	2½	1¾
Exports of goods and services	6.3	5	4¾
Imports of goods and services	9.7	6¾	4¾
GDP at market prices	2.6	2¾	1¾
Industrial production	3.2	2¾	2¼
Consumer prices	10.9	8¾	7¼

Source: OECD

The OECD is especially worried that Italy may be tempted to delay reinforcing its readjustment policies in the face of political obstacles against tougher economic measures.

The Paris-based organisation says, however, that unless adjustment policies are stepped up quickly the Italian economy will suffer and unemployment will worsen.

The OECD forecasts a slowdown in economic growth in Italy this year after real growth in gross domestic product (GDP) of 2.6 per cent last year. This slowdown would inevitably lead to more unemployment. There would also be less *progress on the inflation front this* year because of the uncertainties surrounding prices and incomes *policy.*

In turn this will mean a worsening in the country's external competitiveness leading to a similar current balance of payments deficit of $2.8bn this year as in 1984 after a $800m surplus the year before.

The country's debt burden is *again expected to increase while* the general government borrowing requirement will remain unacceptably high. The magnitude of the borrowing requirement equivalent of 13.5 per cent of GDP and a public debt amounting to 91 per cent means that further economic ad*justment steps must* be taken, the report says.

The OECD expects that short-*term regulation of the economy will* again rely on monetary policy. It also sees little chance for any substantial lowering of real interest rates in the short run because of the need to inhibit domestic demand to hold down the external deficit, finance the current deficit and generate sufficient financial savings to cover the general borrowing requirement without increasing money supply.

High interest rates have also had the effect of increasing the debt service burden and thus the general

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Editorial comment, Page 22

Amro to buy EBC from Ebic partners

By David Lascelles in London and Laura Raun in Amsterdam

AMRO, the Netherlands' second largest bank, is to buy European Banking Company (EBC), the London *merchant bank owned by the* Ebic consortium. The price is believed to be £25m-£26m ($32.3m-$33.6m).

Through a complex chain of linked deals, the purchase will enable Midland Bank of the UK to comply with an order by the Federal *Reserve Board of the U.S. to cut* its stake in European American Bank of New York, which is also owned by the consortium of which Midland is a member.

As a condition for buying Crocker National Bank in 1980, Midland had to reduce its interest of 20 per cent *to below 5 per cent.*

Amro said yesterday that the acquisition was a major step to strengthen its position in the international securities markets. EBC plays an active part in the Euromarkets and recently attracted attention by sterling to make markets *in a select group of European equity* stocks.

Mr F. Hoogendijk, a member of the board, also said that the bank was "a good vehicle" to participate in the city of London revolution. Trading on the London Stock Exchange was an aim, he said, although not the most important.

The purchase dovetails with Amro's recent efforts to focus more on international wholesale banking. Although Amro has a bigger domestic branch network than its larger rival, Algemene Bank Nederland, it has a smaller overseas presence.

Amro intends to merge its existing London merchant bank, Amro International, with EBC.

The deal was triggered some time ago by Midland's need to sell out of European American Bank. Under a complicated arrangement, Midland has sold just over 15 per cent of its take in the New York bank to other Ebic members in return for their share in EBC. Midland thus became the sole owner of the London bank and sold it to Amro.

The deal also frees £26m in much-needed *capital for Midland in* the wake of the heavy losses it has sustained through Crocker Bank. It fits its strategy of pulling out of businesses where it does not have management control.

The members of Ebic are Midland bank, Amro, Deutsche Bank, Société Générale of France. Générale Bank, Creditanstalt Bankverein and Banca Commerciale Italiana.

Citibank expands in Germany, Page 25

Hostage crisis nearing end, says Berri

BY TONY WALKER AND NORA BOUSTANY IN BEIRUT, DAVID LENNON IN TEL AVIV AND DAVID HOUSEGO IN PARIS

THE AMERICAN hostage crisis in Beirut is nearing the end, according to Mr Nabih Berri, leader of the *Shia Amal militia in Lebanon.*

Mr Berri, speaking to reporters yesterday shortly after a meeting with a French diplomat, commented: "I am waiting for an answer. Until now I have not received an answer from the U.S. Government. But I think that we are at the end of this thing."

However, Mrs Jean Kirkpatrick, the former U.S ambassador to the United Nations, said after talks in Tel Aviv with Mr Yitzak Rabin, Israel's Defence Minister, that Mr Berri's negotiations with the French had failed. An Israeli offi*cial added that the "French option* is definitely dead."

The optimism of Mr Berri, who has accepted responsibility for the U.S. hostages seized from a TWA flight two weeks ago, appears to be based on the French response to his suggestion that the Americans *would be transferred to a Western* embassy in Beirut pending the release of more than 700 southern Lebanese held in Israel.

Mr Berri later added in an American television interview that the hostages could be in an embassy or the U.S. within 72 hours.

The French government has reacted cautiously, repeating its willingness to provide a sanctuary for the hostages in Beirut but warning that it would not be a negotiator or mediator. A spokesman said that France would not "substitute itself for the jailers" of the hostages and stressed that they had to be given unconditional freedom.

M Roland Dumas, French Foreign Minister, earlier recalled that both the U.S. and France had condemned the transfer of Shia prisoners to Israel as being against international law and the Geneva Con*ventions.*

The U.S. has maintained its public silence over the delicate negotiations taking place since Mr George Shultz, Secretary of State, said late on Wednesday that Amal must release all 46 American hostages, which included seven kidnapped in *Lebanon during the past 15 months.*

Meanwhile Israel appeared to be increasingly resigned to freeing the Lebanese prisoners it was holding. If agreement could be reached between Mr Berri and the French Government to transfer the hostages to the French embassy in Bei*rut, the assessment in Jerusalem* was that Israel would have no choice but to release the prisoners if that was the price of the deal.

Israel feels that a continued refusal at this stage to free the 735 Lebanese held in Atlit prison near Haifa would cause further harm to its relations with the U.S. The hos-

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French relations with Lebanon, Page 2

UK shows surplus on visible trade

BY MAX WILKINSON, ECONOMICS CORRESPONDENT, IN LONDON

BRITAIN earned a surplus on its trade in goods in May for the first time since the end of 1983, according to official figures released yesterday.

This helped to push the current account of the balance of payments into a substantial surplus of £724m ($941m). In the first five months of the year, the UK's current account is estimated to have been in surplus by just over £1bn, compared with a surplus of £620m for the whole of last year.

The surplus on trade in goods was £224m in May with an additional surplus estimated at £500m on invisible trade.

The improved trading performance reflects a steady increase in non-oil exports and a reduction of oil imports after the return to work by Britain's miners.

Britain's visible trade account moved into a substantial surplus from the summer of 1980 as oil production built up, but by the spring of 1983 rising imports, particularly *of manufactured goods, had wiped* out the oil surplus.

Britain reverted to its more traditional pattern in which a surplus on invisible earnings paid for a deficit on visible trade. High oil imports during last year's miners' strike accentuated this change.

In May, however, the surplus earned on oil trade recovered to £840m, against an average of £530m a month in the strike.

Bank of England Quarterly Bulletin, Page 8

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EUROPEAN NEWS

France's relations with Lebanon run deep

BY DAVID HOUSEGO IN PARIS

THERE WAS nothing strange for most Frenchmen in the proposal by Mr Nabih Berri that the American hostages should be given temporary refuge in the French embassy. In the long agony of Lebanon's wars and civil wars, France has time and again been drawn back into the role of umpire, relief worker or friend.

After the Israeli invasion of Lebanon in 1982, it seemed natural to French public opinion that French troops would be called on to play a substantial role in the multinational peacekeeping force that intervened between the Israeli and Syrian forces.

When 58 of the French soldiers were killed in a bomb outrage in Beirut in 1983—at the same time that an even larger number of American troops were killed—there was not the same indignation in France as there was in the U.S. French anger was reserved for the subsequent American pull-out from the country which forced a French withdrawal as well.

More recently when Shi'ites began killing Christians in the wake of the Israeli withdrawal from the south, M Andre Fontaine, the editor-in-chief of Le Monde, wrote one of his rare editorials under a front page banner headline of "SOS Lebanon" and called for more energetic intervention.

"Why does not France," he asked "whose passivity causes despair amongst the Lebanese press for a larger UN presence."

In recent history, French intervention in the Lebanon dates back to the collapse of the Ottoman Empire in the First World War and the setting up of a French protectorate for Syria and Lebanon in 1916. But long before that the French had promoted schools and French culture in the country and there were extensive contacts between the French Catholic Church and the Lebanese Christian community.

Since the Second World War and the independence of Lebanon, France has always felt it had a role to play in protecting Lebanon's delicate confessional balance and in supporting the Christian community.

When the civil war began in the mid-1970s, France often found itself caught in the cross fire of the feuding factions and of the rivalries of Middle East states for influence in the country. It lost its distinguished ambassador M Louis Delamare in 1981—presumably killed by Syrian agents—and currently has two diplomats and a journalist held hostage by the Shi'ites.

Public opinion in France is not against the French embassy being used for humanitarian purposes.

But it would certainly be against France being drawn into a role of holding the hostages in the place of the Shi'ite community while negotiations are being pursued with Israel. M Roland Dumas, the French foreign minister, has spotted that trap and is determined to avoid it.

Comecon premiers end summit in Warsaw

BY CHRISTOPHER BOBINSKI IN WARSAW

SPEECHES DELIVERED at a meeting of Comecon prime ministers which ended here yesterday have revealed a welter of problems facing the Soviet bloc economic grouping. In the main, the prime ministers stressed the need for increased integration, savings in energy and raw materials consumption and radical advances in Comecon technology.

They also upheld the latest Comecon offer for a resumption of talks with the Common Market on some form of mutual agreement. Co-operation agreements were signed on developing flexible computerised production systems and on utilising natural gas as fuel for motor vehicles.

But speech after speech showed that almost all the ten member countries have either bilateral problems with other members or are unhappy with the work of Comecon as a whole.

Few of the delegates, however, noted the recent calls by Mr Mikhail Gorbachev, the Soviet leader, for radical improvements in the way the Soviet economy is managed, at the first Comecon meeting since the new Soviet leader was installed.

Praise for Mr Gorbachev's economic endeavours was left to Mr Nikolai Tikhonov, the Soviet premier, and the Polish delegate gave Mr Gorbachev a ringing endorsement.

The Vietnamese premier, Mr To Huu, also went into detail about his country's efforts to improve management efficiency and revealed that Vietnam was behind with debt repayments to Comecon. He appealed for a rescheduling agreement, fresh credits and preferential treatment for Vietnam on prices inside Comecon.

Mr Tikhonov, for his part, demanded improved quality in Comecon products and once again sounded the call for a speeding up of integration in what he called the face of the growing imperialist threat. Such calls usually send a tremor of anxiety throughout the Eastern European countries which are keen to maintain trading links with the West.

The East German delegate, for example, echoed the Soviet demand for increased co-operation but, with an eye to his country's vital economic links with West Germany, stressed that trade with all countries was still to be encouraged.

But it was the Czech delegate who soberly pointed out that radical changes in the way Comecon is managed must be implemented if integration is to be achieved. Mr Lubomir Strougal, the Czech Prime Minister, hinting at the need for a transferable Comecon currency, noted that a realistic price system must be established.

Comecon, he implied, must begin to operate exchange rates linked to domestic prices if integration was to work. He reminded the delegates that none of the integration projects decided on as long ago as 1971 had gone beyond the stage of "general principles."

Moscow hints at trade agreement with Brussels

BY DAVID BUCHAN AND PATRICK COCKBURN IN MOSCOW

THE SOVIET UNION might be prepared to conclude a trade agreement with the European Community, if the recent Comecon initiative for talks with the EEC were first to lead to a general declration establishing political recognition and official contacts between the two trading organisations of Europe, a senior Soviet trade official said yesterday.

Mr Leonid Lokshin, deputy head of the Soviet foreign trade department dealing with Western Europe, said a general Comecon-EEC framework accord would open the way for Comecon member-countries to negotiate their own separate trade arrangements with Brussels. So far, only one of the Soviet trading bloc's 10 members, Romania, has done so.

After a four-year lapse in Comecon-EEC contacts, Comecon presented the EEC Commission, via the Polish Ambassador in Brussels, with a letter on June 14 asking for early talks with the EEC and suggesting Moscow, where the Comecon Secretariat is based, as the venue. The EEC Council of Ministers has since requested the Commission to prepare a reply.

If Brussels were to agree to a block-to-bloc accord, "then we would not exclude reaching our own separate trade arrangement with the EEC," Mr Lokshin said.

Because of the unreliability of the U.S. as a trading partner and a recent decline of interest by Japan, following the U.S. lead, in the Soviet market, he said Western Europe had become a key, indeed "irreplaceable" partner for the Soviet Union.

With its incorporation of Spain and Portugal, the EEC would account for nearly 70 per cent of Soviet trade with the industrialised West, which last year totalled some roubles 50bn (£46bn) in both directions.

Formal recognition of the EEC would mark a major change in the policy of the Soviet Union, which for a long time after the EEC's formation sought to ignore it as an institution.

But Mr Lokshin said there had been a gradual evolution in the Soviet attitude, beginning with acceptance of the EEC as a co-signatory of the 1975 Helsinki Accords and developing more concretely with officials of Soviet foreign trade organisations and the EEC Commission travelling to Brussels and Moscow to sort out individual trade problems.

In almost 100 per cent of cases, Soviet officials had managed to resolve problems, such as dumping allegations, satisfactorily in Brussels, he added.

The preponderance of energy and raw materials in Soviet exports to the EEC meant that Moscow was hurt less than its East European allies by EEC restrictions on steel, textiles and some other manufactured imports into the Community, Mr Lokshin went on. But it might still be interested in a trade agreement.

Community status for joint companies

By Paul Cheeseright in Luxembourg

THE EUROPEAN COMMUNITY yesterday took a sheet out of the French law book and enacted a measure designed to encourage and simplify the setting up of joint companies across national borders.

The Council of Ministers formally agreed in Luxembourg to a statute establishing the European Economic Interest Grouping (EEIG), in order to provide a Community status for companies from more than one EEC country.

The EEC countries have four years to adapt national legislation, allowing new EEIGs to be registered and have a Community legal status after July 1 1989.

The EEIG is based on the French concept of a partnership in its dealings with third parties and in terms of the liabilities of members of the grouping.

An EEIG would most likely be a subsidiary of companies in different EEC countries. It would not, under the new measure, be able to seek investment from the public. Rather, it would be the result of a contract between the parents. It could be registered in any EEC state and the fact of the registration would be published in the Community's official journal.

Although a legal entity at the Community level, an EEIG operating in a member-state would be subject to the normal national rules covering any economic activity. It would not, for example, be exempt from local social security legislation. It would not be able to escape, say, a wage freeze.

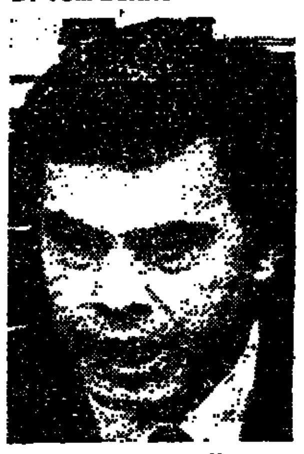
Netherlands visit for Nato chief

LORD CARRINGTON, Secretary-General of Nato, said yesterday that he firmly believed the Dutch Government would abide by its decision in June 1984 to deploy nuclear missiles, writes Laura Raun in The Hague.

The Nato leader – who described his visit as a routine call – was in Wassenaar and The Hague for talks with Mr Ruud Lubbers, Prime Minister of the Netherlands, Mr Hans van den Broek, Foreign Minister, and Mr Joop de Ruiter, Defence Minister.

Madrid plays favourite parlour game of guessing new Cabinet

BY TOM BURNS IN MADRID



Sr Felipe González

SR FELIPE GONZALEZ, the Spanish Prime Minister, travelled yesterday to Milan to attend, for the first time, an EEC summit and, as a parting gift, he gave Madrid's political establishment the opportunity to indulge in its favoured parlour game – forecasting the composition of the new cabinet.

Sr Gonzalez has told his 17-member ministerial team that he intends to carry out a reshuffle next week. He has asked his ministers to remain within reach of a telephone and has said that they will all see each other again next Wednesday in what will be the final meeting of the present Government.

The Government spokesman said yesterday that Sr Gonzalez seeks "a new cabinet image" and "a new government dynamism" well in advance of general elections which are scheduled for next summer.

Sr Gonzalez has maintained intact the same Cabinet which was sworn in alongside him when he took office in December 1982 thereby constituting a remarkable endurance record for a single government in Spain. In the six years before Sr Gonzalez some 70 ministers held office and reshuffles were often little more than rounds of musical chairs to offset political rivalries.

The Spanish codename for Cabinet reshuffle is "crisis" which has a dramatic ring to it. The immediate debate is whether Sr Gonzalez intends a big "crisis" or a small one, whether lesser ministries, the public works and the transport portfolios for example, will be affected, or whether the senior jobs of foreign affairs, the economy, and defence will have new incumbents.

Most pundits agree that the new Cabinet will strengthen the position of Sr Miguel Boyer, the Economy Minister and the architect of the financial austerity policy. Heading most lists of "outs" are the transport and the public works ministers who have recently been at loggerheads with Sr Boyer.

But there are some who say Sr Boyer would like to quit and perhaps become an EEC commissioner. There is consensus that Sr Gonzalez wants a political heavyweight in Brussels.

Sr Fernando Moran, the Foreign Minister, is also fancied as a future member of the European Commission, in which case Sr Boyer would stay at his post, take on the foreign affairs job, or, if he really wants to quit Madrid, go to Paris as ambassador.

Whether Sr Boyer stays or goes there will be no change in his basic guidelines. The favoured candidate for the economy "super ministry," should there be a vacancy, is Sr Mariano Rubio, the governor of the Bank of Spain, the central bank, and Sr Boyer's closest associate.

There are endless other permutations. Sr Narcis Serra, the Defence Minister and a staunch pro-Nato lobbyist, is talked of as a possible Foreign Minister and so is Sr Jose Maria Marvall, the Education Minister.

What is tantalising is that nobody really knows what the Government will look like this time next week except Sr Gonzalez himself. The Prime Minister is notorious for keeping his political cards close to his chest.

A a result, the parlour game is played with more enthusiasm than ever

Agreement near on product liability law

BY IVO DAWNAY IN BRUSSELS

THE FINAL touches to a new EEC product liability directive are now in place allowing substantially improved rights of redress for consumers injured by faulty goods.

Technical points still outstanding on the new law – agreed in principal by Consumer Affairs Ministers in Brussels last month – have been all but completed this week, despite continuing protests from many sectors of EEC industry.

A last ditch effort by industry to halt the plan may still be mounted, but observers in Brussels believe that it is now probably too late for any major revisions.

The draft directive, welcomed by EEC consumer groups as an "historic victory," is most contentious in its shifting of the onus of proof from complainants to manufacturers.

Victims of faulty goods would in future have an automatic right to compensation, while past practice has required them to prove the makers' liability. The plan also incorporates the broad principle of unlimited liability on companies, although member states may impose an Ecu 70m ($51m) ceiling on damages if they wish.

In a separate development, the European Commission has also released a new discussion document on the future of EEC consumer protection policy. This is aimed at taking new initiatives to harmonise safety standards and increase the attention given to consumer interests in Community decision-making.

Irish gas find 'is significant'

By Our Dublin Correspondent

IRELAND'S Energy Minister and Deputy Prime Minister, Mr Dick Spring, has reacted enthusiastically to the news of a gas discovery off the Cork coast.

Earlier, BP had confirmed that flow rates from a well 14 miles from the mainland were "encouraging" but that an assessment of commercial viability would have to await detailed evaluation of results and the possible drilling of appraisal wells.

In a comment from the U.S., where he is on a promotional tour, Mr Spring said the discovery was the first significant gas project in the area since the Kinsale field, from which gas is currently being piped to Dublin and Cork. That field has a capacity of 1.35 trillion cubic feet of gas.

South Africa air link cut

By David Brown in Stockholm

SWEDEN, Norway and Denmark yesterday announced plans to terminate their civil aviation agreements with South Africa, in a further international sanction against apartheid.

The move forces SAS, the Scandinavian airline, to cut its weekly air links between Copenhagen and Johannesburg via Nairobi.

"Our intent is to further isolate the apartheid regime in South Africa and to encourage other countries to take similar action," said Mr Mats Helström, Sweden's Trade Minister.

Public opinion in Sweden has swung sharply against the South African regime

EEC warned on farm trade

BY QUENTIN PEEL IN BRUSSELS

MR GEORGE BUSH, the U.S. Vice-President, yesterday warned the European Commission about the strength of political pressure within the U.S. for a more aggressive agricultural trade policy.

At the same time he sought to allay European fears about a possible technology drain from Europe caused by the U.S. Strategic Defence Initiative (SDI), the so-called star wars research programme.

In more than an hour of talks with M Jacques Delors, the Commission President, and M Willy de Clerq, the Commissioner responsible for external trade, Mr Bush stressed the "very fragile mood of the American people particularly resulting from the state of agriculture," according to a U.S. official.

The rising tension in U.S./EEC trade relations, particularly concerning farm trade but also steel, was an important topic in the discussions.

The Commission seems to have received little encouragement from Mr Bush, who simply spelt out the reasons for the U.S. Government plan to provide some $2bn in export subsidies for cereals, to compete with EEC grain on international markets.

While the Vice-President warned that the upsurge in U.S. domestic political pressure was largely a result of the loss of overseas markets, "both sides recognised the importance of resisting protectionism."

There were no specific discussions on the latest skirmish in the trade war – the U.S. decision to impose up to 40 per cent tariffs on Italian and other EEC pasta exports, as part of its attack on European preference for buying Mediterranean citrus.

However, a U.S. official insisted that Washington remains "prepared to negotiate a settlement to this dispute," which has resulted in EEC retaliation against U.S.

On the subject of SDI, M Delors spelt out his own fears that the programme could result in a one-way technology drain from Europe,

INTERNATIONAL MINING

Baird restores some polish to the world's biggest nickel group

BY GEORGE MILLING-STANLEY

MR CHARLES BAIRD, chairman of Inco, the Canadian group which is the western world's largest producer of nickel, has presided since 1980 over an era in which the company has lost almost U.S.$1bn, cut its annual dividend payments from 69 cents to 20 cents and reduced its workforce by more than a third to 22,000.

The prospect of turning Inco into the kind of mining company which deserves to survive the 1980s was a daunting one, but Mr Baird met the challenge head on and is now beginning to see some reward for his efforts.

Inco returned to profits in the fourth quarter of last year, although the group still recorded an overall net loss for 1984 of $77.3m. The profit improved in the first three months of this year, further gains are in prospect for the second quarter, and Mr Baird is confident that Inco will be back in the black for 1985 as a whole.

While in no sense minimising the difficulty of what he has had to do to reach this position, Mr Baird brings to his analysis of the tasks which faced him a perspective not given to many to share.

Asked whether, at 62, Mr Baird might now be tiring of the struggle to keep Inco afloat, he points out gently that the past four years cannot really compare with his 18-month stint as Under-secretary of the U.S. Navy during the Vietnam war.

"Things were a lot tougher then," he says quietly, "with America losing 200 men every week. Nothing you did could possibly be an adequate response."

Mr Baird was an officer in the U.S. Marines during both World War II and the Korean War, and his description of the situation which faced his beleaguered group has the air of a despatch from the frontline of some economic battleground.

"The recession in the U.S. started in 1980 and lasted in most of the countries in the Organisation for Economic Co-operation and Development until the beginning of 1984. That is unlikely to be paralleled in the forseeable future.

"As far as the nickel business is concerned, it was the first occasion since the end of the Second World War that we had more than one year of reduced consumption at a time and we had three in a row. All this came at the end of a decade during which capacity had been increasing rapidly and that was inevitably reflected in lower prices."

As if that was not enough, the industry faced a sort of pincer attack from the free market, which was heightened when the London Metal Exchange opened trading in its nickel contract in April 1979.

For a long time, the nickel producers succeeded in maintaining an average premium in the prices they realised through direct dealings with their consumers of something like 20 cents a lb over those ruling on the open market.

This was a considerable achievement in the face of constant pressure from buyers to allow prices to fall into line with those available in the terminal market. Yet the other arm of the pincer was, if anything, even more vicious.

Whenever there was a real shortage of the metal in the market, driving spot prices well above those which could be obtained by buying direct from the producers, Mr Baird says that Inco kept faith with its customers and held its prices steady.

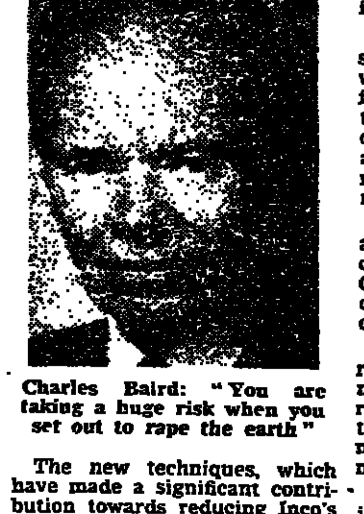
That loyalty has not been repaid, however, and now that the growth of trading on the free market has effectively destroyed the fixed producer price system, the miners find themselves selling at a discount. All attempts on the part of the producers to impose any sort of premium for security of supply are met with howls of protest, and have to be abandoned as impracticable.

"Our lives would be easier if there were no LME," Mr Baird concedes. "It really has made an enormous difference. As a small terminal market, the LME always tends to reflect the excesses, to exaggerate the trends, and a relatively small amount of selling affects prices out of all proportion."

Mr Baird characterises the period 1980-84 as "tough," but rewarding." The necessary "downsizing" was completed successfully — "not without some trauma, but in the most humane way possible," is how he puts it. As a consequence, the group has lost some degree of flexibility in its mining operations, but that seems a small price to pay for the great advances in cost-effectiveness the new methods now in place represent.

In fact, Inco has made a virtue out of this particular necessity, and is now selling its expertise in methods of bulk mining and continuous operation to other companies.

Mr Baird is not insensitive to the romance of mining—"you are taking a huge risk when you set out to rape the earth," he says, "it is still a dangerous business." But the changes made reflect his approach ever since he joined the company in 1969. He felt that mining was basically a materials handling business, and he has treated it as such throughout.



Charles Baird: "You are taking a huge risk when you set out to rape the earth"

The new techniques, which have made a significant contribution towards reducing Inco's break-even price from $2.60 a lb as recently as 1982 to around $2.10 today, will stand the group in good stead for the future. And Mr Baird is confident that there will be a future—"I don't believe the world will ever be able to get by without metals."

He attaches no great importance to the somewhat artificial notion of break-even prices, preferring to strive for an appropriate return on equity.

"If the analysts are right and we make a net profit of something like $75m this year, that would still be a return of only perhaps 10 per cent, and given our high gearing that is inadequate." Mr. Baird says. "In today's conditions, when we are at or near the peak of the cycle, we should be seeing a 15 to 18 per cent return. The figure was over 20 per cent during the 1970s."

With commendable candour, he offers no defence against the charge that much of the North American mining industry was dangerously slow to react to the new realities of the 1980s, notably the exceptional strength of the U.S. currency.

Mr Baird offers no apology for not diversifying away from the group's dependence on nickel production, as a number of other mining companies perceived to be one-product outfits have tried to do.

"The focus of our efforts has been to make or core business work and to regain our financial strength," he explains. "We are determined to make a success of what we have now, to make those assets more productive. I believe it is better to focus on one thing at a time."

It seems almost ironic to say so, in view of the number of workers who have been removed from the payroll, but one of the things Mr Baird has focused on is people. This has paid off, and labour relations in the nickel business have probably never been better.

The latest three-year wage agreement in Inco's main operating division in Sudbury, Ontario, signed at the beginning of June, provides clear evidence of this.

Mr Baird says proudly: "The recent negotiations show the new spirit, with the unions refraining from negotiating through the press, while management has taken a less macho stand."

The agreement rules out any increase in basic rates, but both bonuses and cost of living allowances are tied to rises in the price of nickel.

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Industry opposes Peres bid to renew price curbs

BY DAVID LENNON IN TEL AVIV

MR SHIMON PERES, the Israeli Prime Minister, yesterday held intensive negotiations with his economic ministers, the central bank, leaders of industry and the trade unions in an attempt to devise an economic policy to replace the voluntary agreement on wage and price controls which ends next week.

Mr Peres painted a grim picture of the economy when he addressed the Labour Party bureau, describing Israel as sunk in external debts, trapped in an inflationary spiral and facing deficits in local authority and health service spending.

The premier would like to renew the package deal with the employers and unions to curb inflation, but the country's industrialists and manufacturers are opposed to continuing this arrangement which, they say, has involved them in heavy losses.

During a meeting yesterday with Mr Eli Hurvitz, president of the Manufacturers' Association, Mr Peres failed to persuade him to change his mind. The industrialist said that continuation of the package deal would lead to more bankruptcies.

The Histadrut trade union federation favours renewing the package deal because it sees this as the best way of protecting its members' wages against hyperinflation.

Basically, Mr Peres has to decide between two approaches to economic policy. One, proposed by Mr Yitzhak Moda'i, the Finance Minister, involved an additional $500m (£390m) cut in the budget, greatly reduced subsidies for commodities, an administrative freeze on wages and prices, a large devaluation *of the shekel and the lifting of* import levies and export subsidies.

The second approach, advocated by other economics ministers and some officials at the Bank of Israel, places the emphasis on a policy of rapid deflation to be achieved by dollarisation of the economy or by pegging the exchange rate to a basket of currencies.

Mr Peres will find the pressure for a decision increasing next week when the Bank of Israel is expected to announce that foreign currency reserves fell during June by $300m.

This bad news will be followed by the announcement in mid-July of the June inflation figure which, it is believed, will reach 20 per cent for the month.

Work to start soon on Negev oil venture

BY OUR TEL AVIV CORRESPONDENT

WORK IS expected to get under way within a month on the Negev venture, the $200m (£156m) *oil exploration* deal involving Mr Armand Hammer, the head of Occidental Petroleum Corporation, according to the Israel Energy Ministry.

The concession area in the Negev Desert covers 2m acres, which is about 40 per cent of the land area of Israel. On the western side this borders northern Sinai, where many of the major internationals have paid Egypt for concessions.

The project is being funded by $10m raised by HEI Oil and Gas Corporation, the syndicate organised by Mr Hammer. Another $5m comes from Isramco Inc, a publicly-quoted U.S. company, Joel (Jerusalem and Exploration Ltd), its sister Israeli company, and Delek, a major local petroleum distributor, among others.

The project was started by Dr Jo Elmaleh, chairman of the London?based Elmco Holdings as well as Isramco, and Joel, who is now in partnership with the American group of investors.

Isramco and Joel have drilled four wells in the past 18 months in the Guri mfield in the eastern Negev. Tiny quantities of oil are being produced from three of the wells, which Dr Elmaleh sees as an encouraging sign for the larger concession. The Gurim field will be an independent enclave within the concession area of the Negev venture.

Th eagreement, which was signed last week, involves no signature bonus and includes Israeli agreement to make available all reports of seismic studies carried out in the concession area in recent years in return for a small deposit.

Dr Elmaleh also notes that the government royalty on oil found is 12.5 per cent, one of the lowest percentages anywhere in the world. At the same, he admits that this reflects Israel's eagerness to attract companies willing to invest in explorations.

Investment prospects hit by defaulters

By Our Nairobi Correspondent

Prospects for increased investment in Tanzania, Kenya and Uganda have been marred by poor corporate administration, Mr Per Aasmundrud, the Norwegian director-general of the East African Development Bank, said yesterday.

Mr Aasmundrud, who was presenting the bank's 1984 report, chided a dozen unspecified projects for their fiscal mismanagement. He said some defaulted on their loans while others were up to a year in arrears with repayments.

"*When* loans are not correctly serviced, it also means that borrowings will be more difficult to obtain in the future. Based on the experience of the bank, it can be safely said that there are examples of irresponsibility in loan servicing both among private businessmen."

He cited foreign exchange shortages in Tanzania, a stagnant Kenyan market and general difficulties in starting up new Ugandan businesses as the root causes of the company's unprofitability.

The public scolding has been interpreted as a warning to the bank's beneficiaries in a bid to improve AEDB's own credit ranking. Although the 18-year-old bank is viewed with a certain affection by some international commercial and development banks ongoing regional squabbling discouraged other development banks from extending EADB lines of credit. For several years its lending programme was at a virtual standstill. Now a determined drive to rebuild its image has begun to attract capital from new sources

Despite its handful of faulty loans, EADB's profits last year were Sdr 1.45m

Mary Anne Fitzgerald assesses the plans of Kenya and Tanzania

Two budgets lacking real reforms

KENYA AND Tanzania have presented uncontroversial 1985-1986 budgets that lack any reforms with bite. While Kenya's was predicated on economic recovery, the Tanzanian budget cast into doubt the country's chances of emerging from its drawnout recession. Kenya, Uganda and Tanzania, former partners within the East African community, customarily table their budgets within a week of each other.

Prof George Saitoti, Kenya's Finance and Planning Minister, said prospects were rosy despite experiencing the worst drought in 50 years during 1984. He told a packed Parliament that he expected to see a turnround in the economy during the coming year that would expand *gross domestic product* by more than 5 per cent, on target with Kenya's 1984-85 development plan.

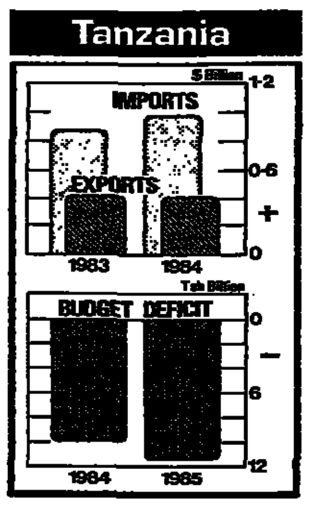
If this is achieved, it will be the first time in several years that the growth rate of national output has overtaken the growth rate of the population which, at 4.1 per cent, is the highest in the world.

Last year, Kenya's GDP was virtually stagnant at 0.9 per cent. Professor Saitoti praised bureaucrats for their "sound and dedicated management of the economy" at a time when financial strains could have plunged Kenya further into recession.

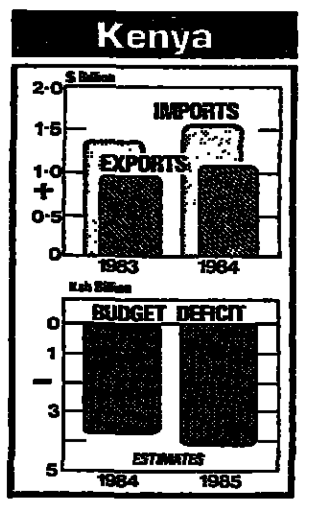
The Ksh 33.05bn (£1.6bn) budget pursued the Government policy of import liberalisation and lowered tariffs, a course of action that bears the World Bank hallmark and which also meets with International Monetary Fund approval. Kenya signed a standby agreement with the IMF this February for SDR 85.2m (£65.6m).

The new arrangement is contingent on a $250m (£196.8m) ceiling on external commercial borrowing during the plan period. The IMF is said to be considering a further $25m compensatory financing facility for the stabilisation of grain imports.

Tanzania



Kenya



The budgetary deficit is expected to be contained at less than 5 per cent of GDP: four years ago it was 10 per cent and a major point of concern to the IMF. Prof Saitoti, in an unusually frank revalation for a Kenyan official, admitted that debt service was worryingly high at 28 per cent of annual export earnings *but pointed out that the level* should start falling by 1988 when some of the loans incurred in the 1970s will have been paid off.

The effects of last year's drought were mitigated by unusually good global prices for coffee and tea that earned Kenya record revenues. Tea overtook coffee for the first time as the top foreign exchange earner when prices more than doubled.

Tea farmers earned Ksh 6.27bn in 1984 compared with Ksh 2.7bn in 1983. Good rains earlier this year have given rise to hopes that agricultural output will be revived by 4.5 per cent this year.

Prof Saitoti cited a series of end-year statistics for 1984 as proof that the economy has rallied. Terms of trade improved by 17 per cent and foreign exchange reserves stood at Ksh 6.5bn, equivalent to about three-and-a-half months' import cover. Three years ago reserves had dropped to one month's cover.

Both Kenya and Tanzania continue to underline their dependence on concessionary *financing to keep their economies* afloat: 13 per cent of the Kenya budget is underwritten by external loans and grants; Tanzania receives more aid per capita than any other country in Africa.

Mr Cleopa Msuya, Tanzania's Finance Minister, presented a Tsh 33.93bn (£1.5bn) budget and omitted any mention of a currency devaluation. The failure to include this has finally put paid to hopes of a reconciliation between socialist Tanzania and IMF, Western observers said.

Relations have been cool since a standby facility was frozen in December 1980. Talks were revived last December, although President Julius Nyerere has repeatedly refused to comply with IMF conditions on the grounds that they are guided by a capitalist philosophy.

Last year, the Tanzania shilling was devalued by 26 per cent but the IMF is calling for a further devaluation as a condition of sanctioning a loan. If negotiations are seen to crumble beyond repair, it may affect aid commitments from other donors as well. They are reportedly pinning their hopes of restructuring the foundering Tanzanian economy on a standby agreement.

President Nyerere came under attack from Scandinavian donors, traditionally his staunchest supporters, during a visit to Europe in early June. They criticised his Administration for failing to provide solutions to Tanzania's chronic budget deficit and stagnant production in all sectors of the economy.

There was little in the budget to reflect recent signals that Tanzania might shift slightly towards free market practices, following the President's decision to stand down in the general elections that are to be held later in the year. But legislation to allow foreign exchaneg to be kept abroad for the purchase of imports was included.

Last year, Tanzania saw a GDP growth of 2.5 per cent, well below its population expansion rate of 3.3 per cent. The new budget will resort to deficit financing to cover a gap of Tsh 12.96bn. Some Tsh 451m is likely to come from donors with the balance from domestic borrowing.

Measures to revive the agricultural sector are expected to be announced soon by the Agriculture Minister in a mini-budget speech. Increased producer prices last year helped to cut back grain imports from 326,000 tons in 1983 to 179,000 tons in 1984.

IMF expected to agree standby credit for Morocco

BY FRANCES GHILES

THE International Monetary Fund is expected to agree later next month to a new standby credit for the Kingdom of Morocco, worth SDR 298m (£229.4m). This would replace the facility which expired last March but the term of the new loan is expected to be 18 months, six months longer than was the case last year.

Negotiations between the Moroccan Government and the commercial banks on the restructuring of that part of the Kingdom's debt which falls due between September 1983 and December 1984 are continuing. Difficulties concerning the extent to which the Kingdom's central bank, the Banque du Maroc, wishes to be formally involved have been slow to resolve but both parties appear to think they might be able to conclude this summer.

Statistics just released show that Morocco's trade deficit increased by 10 per cent last year to Dirhams 15.29bn (£1.16bn). Imports rose by 9 per cent to Dirhams 34.4bn and exports by 8 per cent to Dirhams 19.1bn.

Energy imports increased by 3 per cent and accounted for 47 per cent of export earnings, while the cost of food imports surged by 24 per cent to Dirhams 5.8bn as a direct result of the intermittent drought which has damaged the Kingdom's farm sector since 1979. However, the 1984-85 harvest is expected to provide a bumper crop after plentiful rain. Initial estimates suggests a 23 per cent increase in cereal production.

Receipts from tourism increased by 37 per cent in 1984 reaching Dirhams 3.94bn. On the export front, sales of phosphate rock improved by 27 per cent to Dirhams 4.6bn, while those of phosphoric acid improved further. However, exports of citrus fruit declined by more than a fifth to Dirhams 1bn, a reflection of the growing restrictions such produce faces on entering the EEC.

The Prime Minister, M *Mohamed Karim Lamrani, has* for his part outlined some fundamental reforms the Government intends to make in the financial sector. He stressed the need to liberalise exchange controls and streamline the bureaucracy, whose bottlenecks he described as a disincentive both to Moroccan exporters and foreign investors.

● The Moroccan army is extending the 1,200-kilometre wall which has been built to protect the Western Sahara from incur*sions from* the Polisario guerrillas. The new stretch of wall will force the guerrillas to cross more deeply into Mauritania to re-supply from their bases in Algeria, south of Tindouf.

Columbia has become the 62nd country to recognise the Saharan Arab Democratic Republic, which has been fighting Morocco's claim to the former Spanish colony of the Western Sahara since 1975.

Paris Club reschedules African debts

THE Paris Club of Western creditor nations has signed agreements rescheduling official debts owed by Togo and Ivory Coast, **Agencies report from Paris.**

The French Finance Ministry said yesterday that eight Western .. Governments.....had agreed to reschedule loans and credits guaranteed by them for Togo over 11 years, including five years' grace. Diplomats said the Ivory Coast rescheduling was over nine years with four years' grace.

Diplomats s aid Togo's rescheduling covered about 95 per cent of the $15m (£11.7m) that it owes to sovereign creditors over the next 12 months. Togo's total debt to Western Governments and multilateral agencies is estimated at about $400m.

They said the Ivory Coast rescheduling covered all the principal payments and half the interest owed during 1985. The Ivory Coast was originally scheduled to repay about $300m *in interest and principal this* year. No exact figure for the amount rescheduled was made available.

● Western aid donors have offered to increase their official aid to Zambia during the coming year to $400m from $360m in 1984-85, Zambian officials told Reuter in Paris. The pledges would equal the foreign payments gap which Zambia foresees, World Bank economists said.

O'Neill ready to compromise on federal budget

BY STEWART FLEMING IN WASHINGTON

PROSPECTS for a revival of deadlocked congressional negotiations over the 1986 federal budget brightened yesterday when the Democratic Speaker of the House of Representatives, Mr Thomas O'Neill, signalled a willingness to compromise on the key issues of military spending and social security.

Mr O'Neill told reporters that House members of the budget conference committee would be prepared to accept the higher military spending levels contained in the Senate budget resolution provided Senate negotiators would stop insisting on changes in social security payments.

Mr O'Neill first signalled his willingness to compromise on Wednesday when he suggested that one way around the contentious issue of cutting the inflation-proofing of social security pensions would be to begin taxing payments for better off recipients.

The White House yesterday indicated that it too was interested in looking for a way to break the budget impasse which emerged earlier this week when the budget conference committee broke up after reaching deadlock. Mr Larry Speakes, White House spokesman, instead of sticking to the current White House policy of rigorous opopsition to any form of tax increase, said yesterday: "If O'Neill's looking for a compromise that is a good sign."

Signs of movement on a budget compromise have coincided with the release of a study by the Congressional Budget Office (CBO) which has reinforced fears that President Reagan's proposed tax reforms could cut at least $23bn from the government' revenues over the next four years, and increase the size *of the budget deficit.* The CBO study was bluntly rejected by the White House yesterday with Mr Speakes saying "we do not put much stock in what they're saying."

Commenting on the CBO report Mr Robert Dole, Republican Senate majority leader, who has been critical of the timing of the tax reform proposals, said: "I think reality is setting in."

Mr Dan Rostenkowski, the Democratic chairman of the key tax-writing House Ways and Means Committee, said: "The Administration must appreciate the overwhelming reluctance in Congress to proceed on a tax plan that contributes to the deficit."

The study by the bipartisan CBO is limited to an analysis of the impact on revenues of changes in taxation of corporations proposed in the reform plan. It concludes that between 1986 and 1990 the plan would raise $23bn less revenue than current law.

Although in 1990 and 1991 it would raise about the same revenue as current law, during the remainder of the 1990s the plan would produce a net revenue loss of between $14bn and $19bn a year, the CBO suggests.

Premier of Alberta to resign

By Bernard Simon in Toronto

ONE OF Canada's most powerful political personalities, Mr Peter Lougheed, Premier of Alberta, has announced his intention to resign after 14 years in office.

Mr Lougheed said that he had built the province's Progressive Conservative party, which he has headed for the past 20 years, to a position strong enough to hand over to someone else. Mr Lougheed, who is 57, said he plans to pursue private business interests as soon as the party chooses a replacement.

Mr Lougheed's resignation caps an eventful week in Canadian politics and may have significant implications for relations between the federal government in Otawa and the 10 provinces.

A week ago, Mr Rene Levesque, the colourful leader of the ruling Parti Quebecois in Quebec, announced his resignaiton. A Liberal Premiere, Mr David Peterson, this week took over the government of Ontario.

Mr Lougheed spearheaded opposition in the early 1980s to the federal government's highly interventionist National Energy Programme (NEP). He has become a leading proponent of free trade with the U.S..

The Progressive Conservative Party holds 75 of 79 seats in the Alberta legislature. Among the favourite candidates to succeed Mr Lougheed is Mr John Zaozirny, the Energy Minister.

Jimmy Burns in Buenos Aires reports on public support for recent fiscal reforms

Argentines put their money behind Alfonsin

WHEN LONG queues began to form outside all the main bank branches in Buenos Aires from the early hours of June 19, nervous Argentine officials privately braced themselves for the worst.

The Government had needed an unprecedented three-day bank holiday before conjuring up enough courage to test the reactions of the local financial markets to the "austral," the currency that has replaced the peso.

The fear persisted that a run on deposits and a major slide of the austral/peso against the dollar on the local black market for foreign exchange would signal a pre-emptive death knell for President Raul Alfonsin's shock prescription for hyperinflation.

What occurred, however, went beyond even the Government's wildest expectations. Argentines actually put in more money than they took out: more than 80 per cent of deposits were renewed and the cash withdrawn went largely into settling a backlog of public utility bills. The exchange dealers were forced to declare an unofficial day of mourning as the austral firmed up handsomely, closing the gap between the "black" and official rate to an unprecedented 1 per cent.

"It was a hectic day because of the business that had piled up and the initial difficulties of converting our systems to smaller denominations and cents. But our customers came in calm and smiling and went out the same way," said one bank manager.

Over the last week, some Argentines have continued to find dealing with a new currency when no new notes are yet in circulation somewhat confusing and have shown a tendency to call a peso a peso.

The continuing stability of the currency on the local financial markets suggest, however, that the bulk of the population for once actually believes in what the Government has been doing.

"Sure, we've had noughts knocked off the peso before, only to see it worthless again within weeks, but this time we are seeing the currency backed up by firm measures," said Sr Mario Lopez, an employee of Argentina's Secretariat of Internal Commerce.

Sr Lopez has been strategically placed to test the pulse of the nation. He belongs to an army of government inspectors that daily set out to enforce the countriy-side freeze backed by the full weight of an official propaganda machinery

"This is a war economy," declares one poster loudly. "He who speculates is a deserter."

Sr Lopez is the first to admit that the Government's war did not get off to an entirely happy start. The 10 telephone lines set up by his secretariat to record consumers denounciations of price violations proved utterly inadequate on the first day as an efficient checking mechanism on the 350,000 small shops and thousands more supermarkets which exist in the capital.

Many people's initial sense of a collective contribution to President Alfonsin's "battle plan" was thus frustrated at a moment when it most needed to be encouraged.

> The Alfonsin government has achieved a success beyond its wildest expectations because of the positive response by Argentine citizens to sweeping monetary reforms.

Not all the phone calls that did get through were well intentioned. When inspectors such as Sr Lopez checked, they found that the accused were simply victims of personal vendettas or retailers with a seemingly genuine alibi for their price hikes: they were simply reflecting the price lists passed down to them by wholesalers.

"I tell you this man is innocent. It's the big fish you should be going for," shouted a middle-aged woman as Sr Lopez followed up his detailed questioning of a small shopowner with a three-day closure of his premises and a hefty fine.

Some big fish have been caught, however, so popular reaction has gradually turned from one of suspicion to co-operation with a Government that is genuinely perceived to be doing justice. Raids have extended themselves to one of the capital's largest wholesalers as well as a "black" parallel food market that had been operating thanks to the protection of sectors of the police force.

When price controls were last enforced in Argentina, during the Government of General Juan Peron in 1974, police officers carried out the inspections so that bribery and outright repression became widespread.

The Alfonsin Government, however, has made a point of picking its inspectors from among carefully screened Democrats with an inbuilt interest in seeing the price controls work.

"If we allow inflation to go on the way it was, it is not just our wages that would suffer but democracy too. If this does not work then we might as well pack our bags, turn off the light, and leave the country," said Sr Lopez's "lieutenant," a young graduate in business law.

The Government claims that it has brought out an additional insurance against future speculation on scarcity by maintaining interest rates high in real terms. The cost of borrowing, officials say, will encourage the higher links in the distribution *chain to maintain a swift turnover* of products rather than build up stocks.

This also runs the risk of turning into a two-edged sword: with real interest rates high for depositors as well as lenders and a fixed exchange rate for the austral, the Argentine banking system could soon be inflating the kind of speculative bubble that was experienced to the country's eventual cost in the late 1970s.

The Government, to prevent this, will need to follow up last week's measures with a speedy treatment of the structural causes of Argentine inflation. These include an inefficient and oversized public sector, and a political system that on too many occasions has failed to respond to the needs of the ordinary person. If, as some economists insist, hyperinflation is all about people's expectations, Sr Alfonsin last week won a battle. He has yet to win the war.

House backs halt in anti-satellite tests

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

THE House of Representatives has voted to impose a moratorium on tests of U.S. anti-satellite (Asat) weapons against targets in space, provided the Soviet Union follows suit. The vote put the Democrat-controlled House in direct conflict with the Administration and the Republican-led Senate, leaving the future of the U.S. testing programme in the hands of House-Senate conference negotiators.

In a series of amendments to next year's defence budget, the House also approved broad new powers for the Pentagon to give lie detector tests to employees with access to classified information, and authorised military forces to join in drug enforcement searches, seizures and arrests outside the U.S.

Supporters of the Asat test ban argued that the only way to prevent an arms race in space was to stop testing before either the U.S. or the Soviet Union was sure that its weapons were reliable. Moscow has proposed a testing moratorium while the two superpowers try to negotiate restraints on anti-satellite weapons at the Geneva arms talk.

If the ban were to become law, it would halt U.S. Air Force tests of a small missile launched from a high-flying F-15 fighter to destroy satellites in low orbit. The first test against an object in space is due next month, following earlier successful tests in which the missile was fired at a point in space without trying to hit an actual target.

The Administration argues that the programme, estimated ultimately to cost at least $4bn, will put pressure on the Soviet Union to negotiate more seriously in Geneva. It maintains that a ban would also leave the U.S. at a disadvantage, as the Soviet Union has already tested a rocket-launched Asat system.

Advocates of the ban, however, contend that the Soviet system is cumbersome and unreliable, and can only reach low-orbiting photo-reconnaissance satellites

Under the lie detector proposal, the Pentagon would be allowed to impose polygraph tests on those seeking clearances for access to classified information and apply random tests to those already cleared. It would greatly expand a programme currently providing for 3,500 tests a year.

Western governments to hold talks on S. Africa

BY OUR DIPLOMATIC STAFF

SENIOR officials of Western Governments are expected to meet in London next month to review attitudes to South Africa, particularly on the questions of the employment of blacks and Namibia. Talks come in the wake of growing irritation in Washington with the Pretoria Petoria Government and increasing vocal public protests against apartheid in Europe and North America.

Mr Chester Crocker, senior State Department official for African affairs, declared in a televised Press conference on Wednesday: "If, by some chance, South Africa intends to go on its own, to go in a totally different direction from the one we've been pursuing, they *will indeed be on their own.*"

Next month's talks will include officials from the so-called contract group on Namibia—the U.S., Britain, Canada, France and West Germany—but may also involve other governments.

The Reagan Administration continues to back its strategy of "constructive engagement" with the Botha Government but is conscious of a rising tide of U.S. public opinion hostile to apartheid and is irked by recent South Africa actions, including the attacks on U.S. oil installations in the Angolan enclave of Cabinda and the raid on Cabo-rone, the capital of Botswana.

The British Government, while still firmly oposed to mandatory sanctions against South Africa, is conscious of the need to be seen to be acting against apartheid before the Commonwealth Heads of Government *meetin gdue* to take place in Nassau, Bahamas, in the autumn.

Surinam cabinet quits

PARAMARIBO — Surinam's Prime Minister Mr Wim Udenhout, and his cabinet have resigned in an attempt to resolve "a cabinet crisis," and a new government is expected to be named today.

Mr Henk Herrenberg, staff director for Surinam's military commander-in-chief Mr Desi Bouterse, made the announcement. He said the move was made to give the military leadership "more room to form a new government."

Mr Udenhout's cabinet came to power at the end of last year, but ran into difficulty in April when three labour federations asked for the resignation of the Labour Affairs minister, Mr Edmund Dankerlui.

After Mr Bouterse refused to ask the minister to resign, the federations withdrew their representatives from the cabinet and the national legislature.

This is the third time in recent years a cabinet in the former Dutch colony has resigned.

The military leader, who came to power in 1980 after a coup, has attempted to form a government with the co-operation of trade unions, the business sector and the Unity February 25th Movement, a quasi-political party.

No elections have been held since the coup.

AP

WORLD TRADE NEWS

Carla Rapoport reports from Japan on the trade action plan

Tokyo's tariff cuts fail to please

THE HEART of Tokyo's central business district was the scene this week of an impromptu street market organised by farmers under banners reading: "Don't allow liberalisation of agricultural products." Their T-shirts carried the English slogan: "Let's enjoy a creative life, love rice."

The market was organised to protest against the Japanese Government's recent reduction of import tariffs on agricultural goods. A prominent display in the market, however, contained platters of beef, oranges and cheese, items on which the import restrictions had been maintained.

"These items might be next," said one protester.

The farmers were not the only people unhappy with the tariff reductions; so were many of those it was aimed to please. Mr Michael Smith, deputy U.S. trade representative, said in Washington this week that he was "profoundly disappointed . . . that some of our priority items such as wood products, chocolate and grapefruits are not included despite repeated requests." Other tariff cuts, he said, were smaller than the U.S. had sought.

Government officials in Tokyo, however, are at pains to say that Japan is willing to continue bilateral or multilateral trade talks aimed at reducing tariffs further. Regarding the new round of Gatt negotiations, for example, Japan is ready to reduce tariffs on industrial products to zero in concert with other countries.

Behind Japan's basic willingness to open its markets further lies the fundamental acknowledgement that all these efforts will result in little or no change in Japan's huge trade surplus this year.

While the basic outline of Japan's action programme on market accessibility is hammered out over the next few weeks, Government ministries remain at odds over whether anything can be done to change this fact.

Yesterday, for example, Japan's Foreign Trade Council reported that export contracts for Japan's trading companies rose by 24 per cent in May while imports dropped by 5 per cent. These are the kind of figures which give the Prime Minister, Mr Yasuhiro Nakasone a headache.

Two "quick fix" ideas are being debated between politicians and ministries. One which has been debated publicly is export taxes, which would penalise those companies exporting more than, say a fixed quota.

More serious consideration, however, is being given to a plan for import credits. These would be low-rate loans for companies which agree to purchase more of their needs from foreign companies. Miti officials have been pushing this idea and also suggest a foreign currency loan programme for importers.

THE European Community joined the U.S. yesterday in giving qualified support to Tokyo's announcement of tariff cuts but said they would have only a minimal effect on the bloc's trade deficit with Japan, Reuter reports.

The Commission said cuts it had sought in duties on motor vehicle parts and certain agricultural products were included in the Japanese plans to eliminate tariffs.

But the package as a whole was "unlikely to bring an immediate or sustained relief to the trade imbalance."

The Ministry of Finance, however, has resisted so far, the import credit scheme. It is reluctant to involve the Government in lending foreign currency, thus casting itself in the role of an international bank not a ministry.

At Miti, however, officials say that the Government would be worse off if its action programme fails to produce any noticeable change in the trade balance picture. It argues that import credits are needed for manufactured goods because foreign products do not yet have a price edge in Japan as a result of their relative scarcity.

Trading and leasing companies, some Miti officials say, need the incentive of import credits.

Finance Ministry officials contend that import credits or export taxes run against the spirit of free trade. What, they ask, will happen when the trade assistance programme stops? They argue that it is better to take a longer view—allow full access to Japan for foreign products and let the foreign businesses develop their own import action programmes.

Within the debate lies the plan for emergency imports tacked on to the action programme outlined this week. These should allow what some have labelled a "quick and dirty" fix, by supporting the purchase of as much as $3bn (£2.36bn) worth of goods from abroad either by leasing companies or through Government agencies. This programme is also viewed sceptically by many who believe it will invite more foreign criticism than praise.

Unfortunately, the July deadline for the completion of the action programme outline precludes the Japanese from making further progress on another crucial point: the yen dollar rate.

In the case of the exchange rate, Japan maintains the dollar is overvalued, which is a problem of Washington's making. The U.S. argues that Japan keeps a tight reign on interest rates, which in turn holds the yen down to unreasonable levels.

Move to rationalise import procedures

By Carla Rapoport in Tokyo

JAPAN IS preparing to rationalise its standards, certification and import procedures on the basis of simplicity, transparency, and consistency with international standards.

The revision of standards and certification is now under review as part of Japan's action programme on improving market accessibility.

The first part of the programme was taken this week when Japan reduced or eliminated tariffs on more than 1800 agricultural and industrial goods. Japan's Ministry of International Trade and Industry (Miti) said the tariff reductions would cost the Government Y70bn (£218m) in revenue.

Japan now expects to present detailed outline of its action programme by the end of July, with implementation of most items expected by November.

Mr Makoto Kuroda, director-general of Miti's International Trade Policy Bureau, said the programme was being developed with freedom as a principle, restrictions as exceptions, and consumer choice as paramount.

The overhaul of the system, he said "will ensure that all products will be treated equally and that will encourage foreign businesses to come to Japan."

U.S. microchip industry launches pre-emptive strike

BY STEWART FLEMING IN WASHINGTON

THE U.S. semi-conductor industry with the tack approval of trade officials in the Reagan Administration, has launched a pre-emptive strike against its Japanese competitors with a precedent-setting legal action under the revised Section 301 of the U.S. trade laws.

The action calls on President Ronald Reagan to put pressure on the Japanese Government to secure a "dramatic improvement" in American sales of semi-conductors, the computer chips which are at the heart of today's electronics technology, or to retaliate against U.S. imports of chips from Japan.

Such U.S. pressures for action against the Japanese have attended every downturn in the microchip market since the mid-1970s; but, this is the closest the U.S. has come to legal action.

This move is being taken in conditions which Mr Gordon Moore, chairman of Intel, describes as "the worst shakeout in our industry in over a decade." The Semiconductor Industry Association (SIA) forecasts that sales in America by U.S., Japanese and European manufacturers of integrated circuits will drop 20 per cent this year to about $9bn (£7.08bn).

In the past few weeks, several large companies have announced layoffs and plant closures which have dramatised their plight. Intel, one of the leading chip manufacturers, has laid off some 1,800 employees recently, and Gould has announced write-offs of $150m against its semiconductor operations.

The complaint which the SIA has filed on the part of its 57 members and the separate anti-dumping suit which the Idaho-based Micron Technologies filed this week against Japanese manufacturers of 64 kilobit dynamic random access memory (dram) components from Japan, are seen in Washington as adding a new dimension to the debate about trade policy.

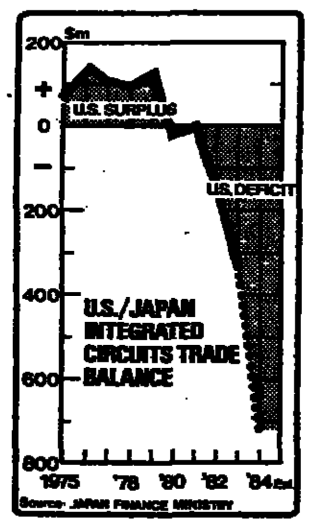
Until recently it was primarily ageing industries such as the steel, shoe and textile manufacturers which made most of the running in the fight for protection against allegedly unfair foreign trading practices. Trade experts now expect a wave of complaints from companies on the leading edge of modern technology.

The SIA case is not a traditional dumping complaint but instead seeks to secure improved access to the Japanese market. It maintains that informal trade barriers, including a long history of collusive activity by the main Japanese semiconductor manufacturers, has prevented U.S. producers from gaining the large share of the Japanese market which their technological and competitive abilities merits.

The industry points out, for example, that its market share in Japan has been stuck at around 10 per cent since 1974, whereas Japan has increased its penetration of the U.S. market, raising its share from 6.7 per cent in 1981 to 17 per cent in 1984.

In the past five years, Jaapnese companies including NEC, Fujitsu, Hitachi and Mitsubishi have decided to set up more than 12 microchip production or assembly plants in the U.S.

Micron Technology, an Idaho-based manufacturer of computer memory chips, has filed the first American anti-dumping action against Japanese producers of semi-conductor products, writes Stewart Fleming. The company has charged that seven major Japanese companies, including Fujitsu and Hitachi are selling 64K d-rams at less than fair value market prices in the U.S. The company alleges that the Japanese companies are attempting to win an increased share of the emerging market for 256k d-rams. It is argued that the dumping of the 64k d-rams is hitting the profits of U.S. manufacturers and weakening them competitively.



The U.S. industry backs up its case that non-tariff barriers account for this failure to penetrate Japan by pointing out that in Europe and the rest of the world its members have market shares of between 43 and 76 per cent.

Japanese producers reply that the low U.S. market share reflects quality control problems and U.S. manufacturers' failure to build long-term relationships with customers.

Apart from the loss of income and earnings which the SIA claims it has suffered as a result of the low level of sales in Japan, the SIA argues that the protection afforded its Japanese rivals allows them to expand capacity without paying attention to world market trends and then export surplus production to the U.S. at low prices when market conditions are weak.

Some industry executives maintain that there is a conscious strategy being pursued and that the surge in Japanese exports into the U.S. market when such "capacity races" take place allows Japanese producers to increase their market shares in the U.S. and drive U.S. competitors out of business. The SIA points out that Japanese producers already have 98 per cent of the world market for the latest generation of DRAM, the 256K DRAM.

Industry executives argue that what could be at stake ultimately is continued U.S. technological leadership in the semiconductor business.

The SIA case is designed primarily to open up the Japanese market and as such should reinforce Administration trade negotiators in their talks with the Japanese Government aimed in part at improving U.S. access to Japan's electronics markets. But the arguments being used and the relief being asked for if no progress is made, are expected to make Japanese producers much more wary about aggressively challenging for market share in the U.S. as sales in the U.S. market slump.

The Japanese Ministry of Trade and Industry (Miti) this week announced that Japanese semi-conductor producers are cutting back by 20 per cent their investment plans for 1985. The SIA response is that such a cutback, if it takes place, does not address the issue of access to Japan's markets.

The Reagan Administration must decide in the next few weeks whether or not to pursue the SIA petition: under Section 301, the President has discretion on whether to act and what action to take. That decision is of considerable significance for it could set a precedent under the revised Trade Act. It will also be read as sending a signal to Capitol Hill, where pressure is mounting for the White House to show more vigorous leadership on trade issues.

Brussels presses to renew MFA

By Ivo Dawnay in Brussels

THE EEC yesterday announced that it will press for a renewal of the Multi-Fibre Arrangement (MFA) next month, though it is prepared to make concessions allowing greater access for textiles from low-cost producer countries into the Community market.

Talks on the future of the MFA, which controls textile exports to the older producer countries to allow time for industries to be restructured, are due to begin next month, prior to the expiry of the Arrangement in July next year.

The European Commission's position, almost certain to be endorsed by member-states, is that the MFA must be continued to allow further restructuring to take place.

However, in a bid to head off an effort by the low-cost producers to end the MFA altogether, it promises to take "concrete measures" allowing much greater flexibility on a multi-lateral basis.

The Commission justifies its stance by arguing that ending the MFA outright in current economic circumstances could lead to serious instability and possible financial losses to less developed textile exporting nations.

This policy will go forward for the approval of foreign ministers on July 22—the eve of a new round of talks under the auspices of the General Agreement on Tariffs and Trade (Gatt), scheduled to conclude next year.

The U.S., which is also protected from cheap imports by the MFA, has yet to declare its policy on the future of the agreement. But U.S. trade officials suggest that Washington too will be keen to continue the MFA.

Lufthansa in $400m Airbus deal

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

LUFTHANSA, the West German airline, is on the verge of signing a contract worth more than $400m (£333m) for up to 15 of the new European Airbus A-320 150-seat twin-engined airliners.

The airline's interest in the aircraft, first reported in the Financial Times last Saturday, was confirmed in Hong Kong yesterday by Herr Heinz Ruhnau, Lufthansa chairman.

He said that Lufthansa was now reviewing the final details of the contract, which would call for deliveries to begin in the early 1990s.

"If all is OK, we will sign (the contract) on Saturday to place firm orders," he said.

Herr Ruhnau said Lufthansa is also likely to order a Boeing 747 cargo jet by September, to supplement the three such aircraft it already has.

The Lufhansa order for the A-320 will follow orders already announced by Air France, Air Inter of France, Ansett of Australia, British Caledonian, Cyprus Airways, Inex Adria of Yugoslavia, and Pan American of the U.S.

The A-320 is a short-to-medium range airliner, designed for about 150 passengers, and destined to enter service in 1988-89.

It is under development by the Airbus Industrie consortium whose partners include Aerospatiale of France, British Aerospace, Casa of Spain and Messerschmitt-Bolkow-Blohm of West Germany, with Fokker of The Netherlands and Belairbus of Belgium as associates.

● GEC Avionics, a member of the GEC group, has won an initial $35m contract from the U.S. Air Force and U.S. Navy to supply standard central air data computers for aircraft of both forces.

About 1,000 computers are involved in the initial contract, but it includes an option for the U.S. Department of Defence to procure more than 5,000 additional units over the next five years.

Air data computers play a central role in modern military aircraft, providing data, related to airspeed and altitude, required for the correct operation of many kinds of on-board systems, including flight instruments, speed and height control, stall-warning, navigation and weapon aiming systems.

The air data computers for the U.S. will be installed in 22 different types of aircraft.

Brazil reiterates services pact

BY ANDREW WHITLEY IN RIO DE JANEIRO

A GENERAL agreement on services to operate in parallel with the existing General Agreement on Tariffs and Trade (Gatt) has been reiterated by the Brazilian Government.

The move is aimed at breaking the impasse between industrialised and developing countries over a new round of trade negotiations.

According to Sr Olavo Setubal, the Brazilian Foreign Minister, the U.S., which had been insisting on the inclusion of service industries within a new Gatt trade round, has agreed to this twin-tracked approach.

Sr Setubal said it was now up to the developed countries to take up the Brazilian proposal on services, to define more clearly the items to be included in future negotiations.

Brazil insists that these negotiations should not be linked in any way with the parallel Gatt talks on goods. Western governments were told this week by Brasilia, that one pre-condition for such talks was that Gatt rules would not apply to services.

Brazil and India have led a group of 23 developing countries stonewalling the idea of including services in new international trade talks, for fear of the potential impact of the powerful banks and insurance companies of the industraliased West in particular on their domestic markets.

The call to hold talks on services in parallel with a new Gatt round is thus regarded as an important concession.

At the recent informal meeting in Stockholm of ministers of both developed and developing countries, Brazil indicated for the first time that it was prepared to adopt what one official described as a "more constructive attitude towards the deadlocked preparatory negotiations on Gatt."

Rebutting U.S. and European Community criticism that Brazil has been dragging its feet on the trade negotiations Sr Setubal said: "We feel it is necessary to take part, otherwise protectionism will increase in the developed world."

High officials preparing the new Gatt round could meet before the end of the summer, he said, thus clearing the way for the full fledging negotiations to commence in mid-1986.

However, in a warning of potential storms ahead, the Brazilian Foreign Minister said the new trade rules to be drawn up on goods would have to recognise the existing "asymmetry" between those countries now entering the post-industrial era and others such as Brazil, India, Yugoslavia and Korea, which are at a transitional stage of development.

SAS orders three new DC-9-80s

By David Brown in Stockholm

SAS, the Scandinavian airline, has ordered three new DC-9-80s from McDonnell-Douglas for delivery in mid-1987 to meet growing demand on its European and domestic routes, in a deal worth $75m (£62m).

SAS has ordered 14 new DM-9-80s in the past nine months to supplement its fleet of 60 such aircraft, and has an option on a further 15. The MD-80 series is a modernised version of the DC-9 range.

Moreover, it is "in the market" for up to 10 used DC-9s, a spokesman said yesterday.

Agie alleges patent offence

By John Wicks in Zurich

IN THE latest in a series of patent-violation suits, the Swiss machine-tool company Agie Industrial Electronics has instituted a legal investigation in France in respect of spark-erosion machines manufactured by the Japanese group Mitsubishi.

A French judge is said to have approved Agie's complaint and ruled that "evidence gathered in France can be used in all countries of the European Community." Suits are pending in Germany and other EEC member countries.

For more than a year, Agie – the world's leading manufacturer of spark-erosion machine tools – has been suing Mitsubishi in the U.S. for what is understood to be a sum of more than $10m.

Litigation with regard to patent violation has already led to several settlements with other companies. These include the Swiss company Charmilles and the Japanese concerns Brother Industries, Fujitsu-Fanuc and Hitachi-Seiko.

UK NEWS

Bank of England Quarterly Bulletin

Warning on impact of price inflation in pay settlements

THE BANK of England yesterday voiced its anxiety about rising pay settlements and unit wage costs and indicated that interest rates are set to stay high for some time.

In its latest Quarterly Bulletin, the Bank says that it expects retail price inflation to fall back in the autumn from the present annual rate of 7 per cent.

It appears less confident than the Treasury, however, that annual price rises will fall to as low as 5 per cent by the end of the year, and says that the outlook for industry's costs is not reassuring.

"While the recent upturn in the measured rate of retail price inflation has been in part erratic, there must be a danger that pay negotiations will be affected and there are no signs of easing in the pace of increase of averaged earnings," it adds.

The Bank's warning on pay follows the sharp rebuff delivered by Mr Nigel Lawson, the Chancellor of the Exchequer to a plea from the Confederation of British Industry for government action to cut interest rates.

Mr Lawson made clear that borrowing costs would fall only when the Government was certain that inflation was under control, and called on industry to hold down wage deals.

The Bank says that the level of settlements has edged up during the current pay round, coinciding with a slowdown in the rate of productivity growth.

As a result manufacturers' unit labour costs, which have been a cause for concern since the second half of 1984, are still running far ahead of those in Britain's competitors. The Bulletin also shows the Bank's unease over the rapid growth in recent months of sterling M3.

Since the pound is strong and the narrow monetary aggregate, Mo, is well within its target range, the Bank says that structural shifts in the economy may have been responsible for part of the excess growth. Sterling M3 could, therefore, be understating the tightness of monetary policy.

The Bank is nonetheless concerned that the acceleration in bank credit in particular may be signalling upward pressure on inflation, and wants more convincing evidence before allowing any significant drop in interest rates.

Recovery trend may strengthen

REPORTS BY MAX WILKINSON AND PHILIP STEPHENS

BRITAIN'S ECONOMY is still growing strongly. The pace of expansion may have accelerated in the last few months, but there are grounds for concern over the outlook for inflation, the Bank of England says in its latest Quarterly Bulletin.

The Bank says that the bounce-back in industrial output after the end of the miners' strike and a bunching of investment early in the year make it difficult to assess precisely the underlying rate of growth.

A number of factors, however, point to a stronger recovery than had previously been expected and this trend shows no immediate signs of slackening.

Output probably rose by an underlying 3½ per cent in the first quarter of the year. The unwinding of the strike effects is likely to push up recorded growth to around 4 per cent in the three months to June compared with a year earlier, it says.

The Bulletin highlights Britain's strong export performance over the past few months (in sharp contrast to the disappointing performance for most of 1984), slower growth in imports, and an upturn in manufacturing output.

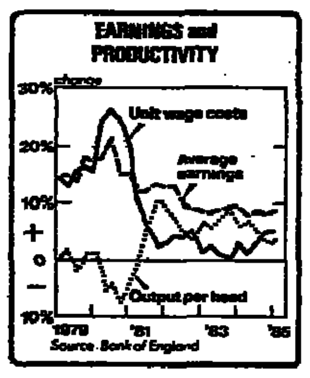
The improvement in trade performance, with non-oil exports in the three months to April, 12 per cent higher than a year earlier, may have come in response to the lagged effect of sterling's depreciation since 1981.

But the Bank adds that the timing of the upturn is puzzling, as is a parallel slowdown in the growth of non-oil imports.

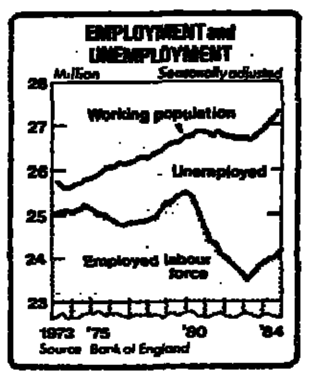
Much of the growth in the economy in the first quarter of this year was attributable to the surge in corporate investment, as companies took advantage of the higher level of tax allowances available before April 1.

The volume of capital spending by industrial and commercial companies rose by 18 per cent in the three months to March, with the bulk of it chanelled into leased assets. The pace of investment growth during the rest of the year, however, is likely to slow significantly, perhaps to a level averaging 2½ per cent above a year earlier.

The investment boom and better trade performance has so far more than compensated for a much slower rate of growth in consumer spending, although the overall rate of economic expansion is likely to weaken towards the end of the year.



Source: Bank of England



Source: Bank of England

The Bank's relative optimism over the outlook for growth is qualified, however, by its obvious concern over the cost pressures which have built up in the economy.

It shares the Treasury's belief that the annual rate of retail price inflation will fall back later in the year, but it voices anxiety over the level of wage settlements and rising unit costs.

The Bank says that a sharp slowdown in productivity growth – despite some recovery in the early months of this year – has coincided with further upward pressure on wage awards.

The underlying annual rise in unit wage costs accelerated to 6 per cent last year from 4¾ per cent in 1983, in sharp contrast to the flat or falling trend in many of Britain's competitors.

The Bulletin points out that part of the impact on overall price inflation has been offset by the weakness of raw material and fuel costs, particularly since sterling's recent recovery.

It gives a warning, however, that there must be a danger that wage bargaining may be affected by the recent upward shift in the retail price index and adds that the present outlook on unit costs "though somewhat improved is still not reassuring."

The implication is that the Bank believes that interest rates should stay high until there are clear signs that cost pressures are weakening.

Slowdown in growth of major economies predicted for 1986

THE SEVEN leading industrial economies are expected to grow by about 3¼ per cent this year, the Bank of England forecasts in its bulletin. Next year, it expects some further slowing down to an annual growth rate of about 2¾ per cent, mainly because of the slowing down of the U.S. economy.

Growth in the U.S. is forecast to average about 3 per cent this year but to decline to 2 per cent in 1986.

In Japan and the major European countries, economic activity is expected to stabilise or to accelerate slightly. Growth in Japan is expected to be 4½ per cent this year and 5 per cent next year. In Europe, this year's average growth in output is expected to be 2½ per cent, rising to 3 per cent in 1986.

After a very rapid growth of 9 per cent last year, world trade is expected to expand by 5 per cent this year and next. The Bank says this will further benefit the developing countries and the smaller industrial countries.

It expects inflation in the industrial world will remain subdued with some further falls expected in continental Europe, partly because of the continued tight monetary policies and partly because of some further falls expected in real oil and commodity prices.

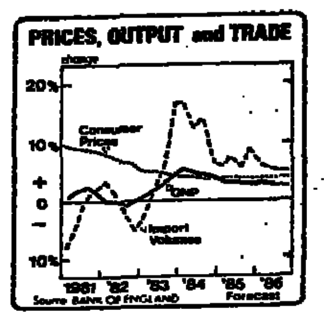
For the industrial countries as a whole, consumer prices are expected to rise by about 4 per cent.

In the U.S., the Bank says domestic demand is likely to be slowed down further by a tightening of fiscal stance, a cyclical reduction in stockbuilding and some slower growth in real earnings leading to a constraint on consumer expenditure.

The past appreciation of the dollar and the associated loss of competitiveness of U.S. industry is expected to continue to result in a leakage of domestic demand into net imports.

The Bank comments that this could be mitigated by any substantial depreciation of the dollar and by the effects of faster growth in competitor countries.

The expectation of faster growth in continental Europe mainly reflects a forecast improvement in the West German economy, resulting from the tax cuts which have been announced, and from the encouragement to consumer spending which lower inflation could provide.



Source: BANK OF ENGLAND

Averages for Canada, France, West Germany, Italy, UK, Japan and the U.S.

For Europe as a whole, business investment is expected to grow at an annual rate of 5 per cent to 6 per cent. Although rates of growth of the major European countries are expected to be similar, the Bank comments: "The basis of European recovery remains rather fragile."

The Bank says that the combined current account deficit of the leading seven economies rose sharply to $23bn in the first quarter of 1985 after its substantial fall to $9bn in the previous quarter.

This reflected an increase in the U.S.'s current account deficit to $31bn from $24bn in the previous quarter, with some reduction of the Japanese surplus from $11bn to $9bn.

It says that this year the growth of U.S. domestic demand has been faster than towards the end of last year, and the increase has been satisfied largely by imports.

Capital inflows to the Third World countries without oil have been more than enough to cover the current account deficits, which it says reached $16bn last year.

The net capital flow into these countries was $29bn. Official finance of $26bn, direct investment of $9bn, borrowing from banks of $9bn and borrowing via bond issues of $2bn were offset by an outward capital flow of $17bn.

Sterling fall sharpens competitive edge

THE PRICE competitiveness of British industry on international markets was 4½ per cent better in the first three months of this year than in the corresponding 1984 period, and 15 per cent better than in the first quarter of 1981.

But the Bank says the improvement in Britain's competitive position was more than accounted for by the steady depreciation of sterling against other leading currencies.

In the four years from the start of 1981, the pound fell by 50 per cent against the dollar and by 30 per cent against all currencies. If the benefit from the exchange rate is excluded, the underlying competitive position of British manufacturers – as reflected in productivity and cost trends – has deteriorated.

The Bank says that UK productivity growth compares favourably with other industrial nations, but average earnings have been growing more rapidly than those abroad.

In 1983, with unit labour costs showing little change in Britain and falling by about 1 per cent abroad, the decline in sterling led to a sharp improvement in British manufacturers' relative unit labour costs.

The following year, however, it took a much larger fall in the value of the pound to produce a smaller improvement in relative unit labour costs, because slower productivity growth led to higher UK costs while those abroad were still falling.

The Bank says that although UK productivity growth may have revived in recent months, some further loss of competitiveness is likely to have occurred since the start of 1985. Since then, average earnings have continued to rise strongly while sterling has appreciated sharply.

Exporters were able to increase their profit margins in both 1983 and 1984 in response to sterling's weakness, while higher import prices also allowed a smaller increase in margins on the domestic market.

That trend is likely to have been reversed, however, in the early months of this year.

MEASURES OF UK COMPETITIVENESS
Percentage changes, Q4 on Q4

	1981	1982	1983	1984
Price competitiveness in export markets (a)	−9.9	0.6	0.1	−3.5
Price competitiveness in the UK	−3.0	0.9	−3.1	−4.9
Relative unit labour costs (a)	−13.2	−2.3	−6.7	−5.6
Profit margins on UK exports	2.7	2.0	4.7	0.9
Relative profitability of UK exports (b)	2.2	−0.2	3.2	3.4
Sterling exchange rate index	−10.5	−0.7	−6.6	−9.7

(a) Improvement shown as negative
(b) Relative to profitability of domestic sales

Bill arbitrage has small part in higher lending

ONLY a small proportion of the increase in bank lending to the private sector is associated with bill arbitrage, the bank says.

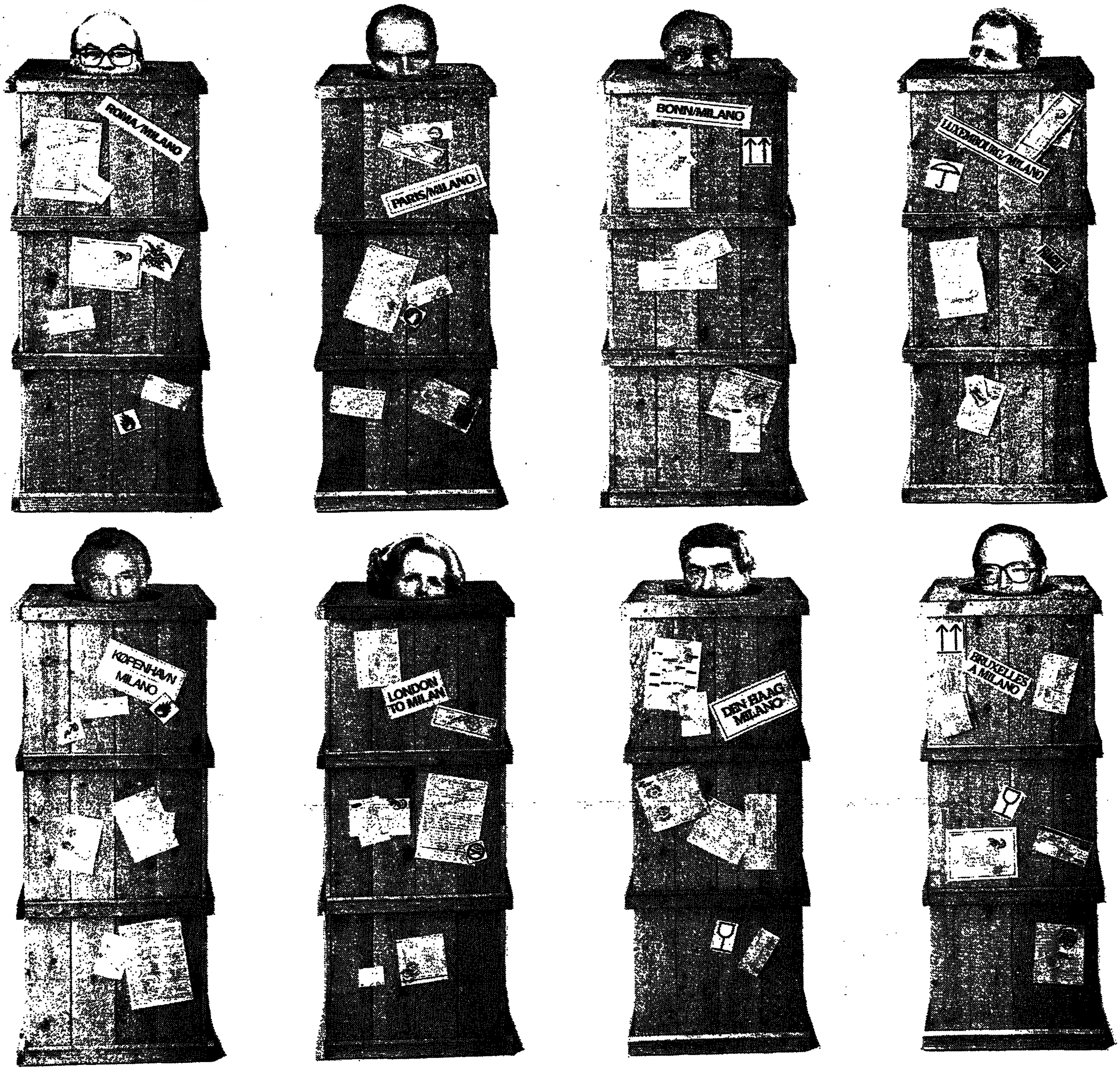
Bill arbitrage is the practice of borrowing against commercial bills which are then sold to the Bank of England, and using the proceeds to earn a higher rate of interest on deposit with banks.

After investigating reports of this practice, the Bank says that the amounts involved nearly always proved to be much smaller than was suggested in stockbrokers' reports.

It says that there had been opportunities for arbitrage in each of the banking months between September 1984 to February 1985. However, the opportunities did not become any more frequent or more attractive in recent months, so that one-month bill arbitrage cannot readily be held responsible for any increase in the amount of bank lending outstanding during the period.

The Bank estimates that the net contribution of bill arbitrage to the £15bn rise in commercial bank lending between August 1984 and April 1985 could be between zero and £500m.

Nevertheless, it has told commercial banks whose bills are eligible for purchase by the Bank, that "it regards the promotion of artificial transactions of this kind as an abuse of eligibility."



LADY AND GENTLEMEN IF YOU WERE FREIGHT, THE SUMMIT WOULD BE OVER BEFORE YOU GOT THERE.

Today, the Heads of Government of the European Community countries are meeting in Milan.

The main subject on the agenda is the mess that the Common Market's in.

Lorries are delayed for hours at frontier posts. State companies refuse to buy from other European countries.

Petty laws shut competitors out.

It's a mess we all pay for with high prices and low prosperity.

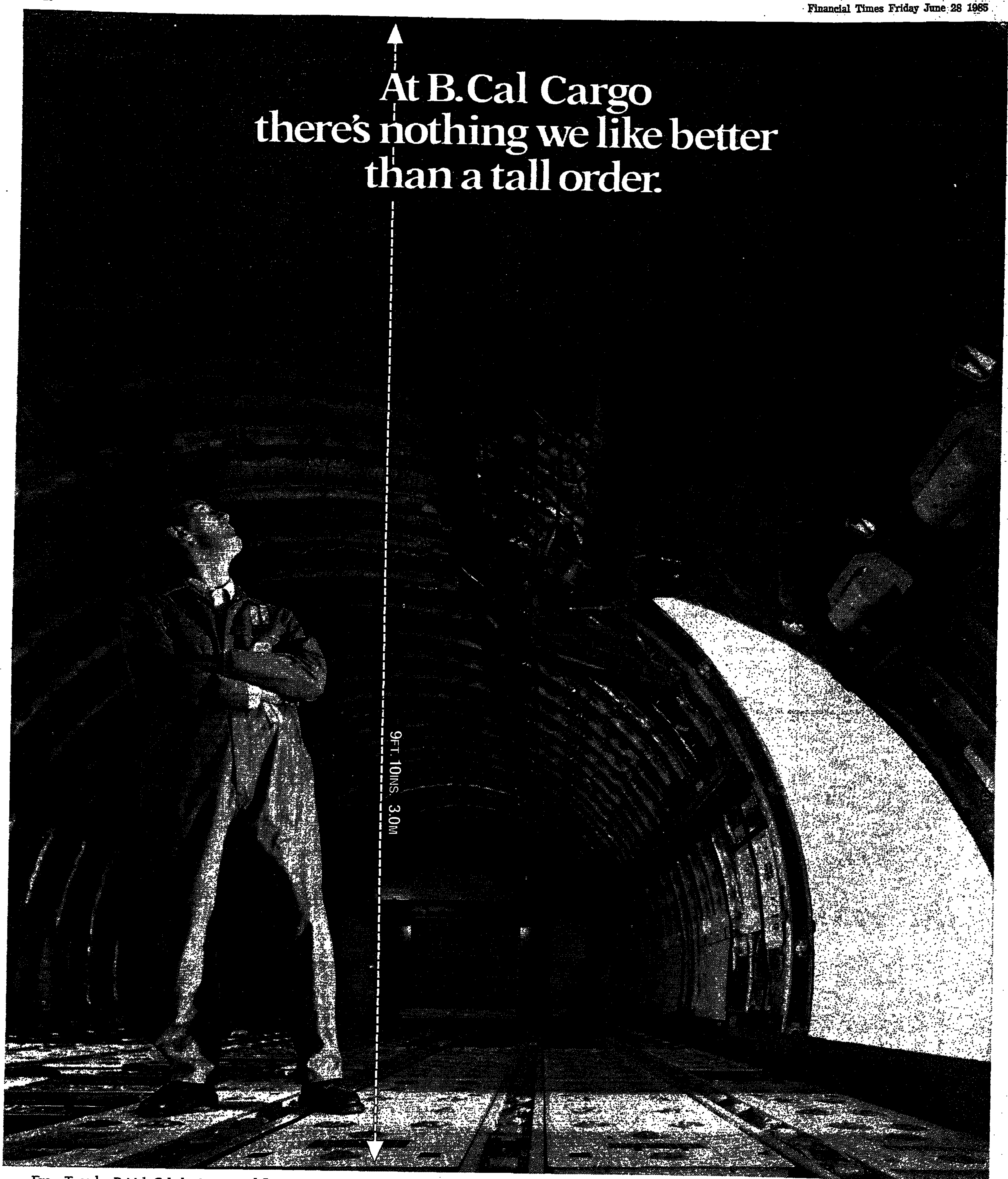
But it doesn't have to be like this.

Look at the United States. They have a united market that works, and that has created nine million extra jobs in just the past ten years.

By contrast, our European market actually has about the same number of people in jobs as it did ten years ago.

That's what the European Heads of Government can decide to change today–and thereby promote a more united Europe.

PUBLISHED BY THE KANGEROO GROUP OF THE EUROPEAN PARLIAMENT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Bank of England gives guidance on Westland

BY CHARLES BATCHELOR

SIR JOHN CUCKNEY, newly-appointed chairman of Westland, the struggling British helicopter maker, denied yesterday that either the City of London or the Government was working on a financial rescue package for the company.

The Bank of England did confirm, however, that it had provided guidance and a forum for discussions aimed at resolving Westland's difficulties.

Talks that have taken place over the past few weeks have been aimed primarily at solving questions such as the make-up of the board – Sir Basil Blackwell resigned as chairman on Wednesday to make way for Sir John – and re-establishing the group's credibility with government and non-government buyers.

Westland's decision to accept the £89m takeover bid launched in May by Mr Alan Bristow's Bristow Rotorcraft, after initially rejecting the bid, was seen by many in the City and within the company as indicating an "erratic" management.

When Mr Bristow took the surprise decision on June 21 to drop his bid, Westland was left still looking for a strong international partner to help it through the next few years when orders seem likely to be short.

"It is absolutely wrong to say there is a rescue package," Sir John Cuckney said. "I have only been chairman for 16 hours but there is not, as far as I know, an immediate financial problem."

The Westland board plans to wait for the results of a review of its operations being carried out by Price Waterhouse, the accountants, before taking any decisions on its future. It has said, however, that it would be best served by an alliance with a large international company.

One alternative, of reducing the size of the group's business to concentrate on specialist niche markets, appears to have been rejected because of the time and money needed to develop new products.

The priorities of the board, under Sir John, are to re-establish the group's credibility and to improve relations with the Government, an important customer. Previously, Westland's relations with ministers were not particularly good.

There appears no prospect of either the Government's or the Bank of England's providing funds in the longer term to the company, or of the Ministry of Defence's buying the Westland 30 helicopters originally ordered by India. That order is now unlikely to go ahead.

Shell sees prospect of stagnant oil demand

BY IAN HARGREAVES

OIL DEMAND could be stagnant during the next decade, but the most likely prospect is for a slow rate of growth, according to a series of forecasts published yesterday by the Royal Dutch/Shell group.

In presentations to security analysts, Shell executives sketched out two possible pictures one which envisages the world overcoming its problems of trade friction, debt crisis and economic rigidity and a second which sees the global economy lapsing into a fragmented, protectionist state.

In the first possibility which Shell calls the "next wave" outlook, there would be high levels of economic growth, but advancing technology, interfuel competition and higher energy prices would curb demand for oil. Free world oil demand would scarcely rise at all until the late 1990s.

The "dividend world" possibility, although producing lower economic growth, envisages weaker oil prices and demand is forecast to rise from today's level of around 46m b/d to about 53m b/d by the turn of the century.

Mr L.C. van Wachem, president of Royal Dutch, said that oil companies had to face the possibility that oil prices might drop significantly.

The impact of such a development, he said, would vary from oilfield to oilfield and company to company, especially since governments could be expected to ease fiscal terms to encourage companies to go on working. "A fall in oil prices might not be as disastrous for oil companies as is sometimes suggested," said Mr van Wachem. "Nevertheless, the impact on some companies could be severe enough to cause a further shake-out in the industry."

Mr van Wachem also set out Shell group policy for the future in a number of key areas:

- On oil companies buying back their own shares, he said that Shell had no plans to follow the example of companies such as Exxon, which had spent more than $4bn on its own shares in the last two years. "Share repurchase should only be considered when the cash availability is expected permanently to exceed the long-term requirements of the business," he said.
- Shell Oil, the U.S. subsidiary of the Shell group, whose acquisition was recently completed, will operate without any change to the management or board.

Large-scale, international diversifications are not under consideration, but the group is anxious to enter new fields on a modest scale through what it terms "learning platforms."

- Having just announced the $1bn purchase of a stake in Occidental's Colombian oil discovery, shell says it is still in the market for attractively priced oil and gas assets.

Talbot to cut car kit production

By Arthur Smith

TALBOT, the UK subsidiary of Peugeot of France, is to make up to 250 workers redundant and cut production on its troubled £130m a year contract to supply car kits to Iran.

The cuts will be made in spite of news that about £70m has become available from Iran, both to finance the purchase of 34,000 car kits stockpiled in Britain and to enable production to restart at Talbot's Stoke engine plant at Coventry.

Workers at Stoke, laid off since the beginning of June, will be recalled on August 5 but weekly output will be reduced from about 1,800 kits to 1,200. Talbot reported last night that it had already had "quite a high response" to its call for up to 250 volunteers for redundancy.

Union leaders seemed resigned to the announcement and sceptical about the long-term future of a contract subject to repeated disruption in recent years. "If one group of workers deserved a bit of good luck, it is ours for their patience," said Mr Duncan Simpson, the engineering union convener.

Talbot insisted the Iranian contract still had "a long time to run" and was important to the Stoke plant. Problems with payments from Iran halted work on the deal in early June after a seven-week standstill earlier in the year. No kits have been shipped to Iran since last November.

The latest hold up was caused by difficulties with a complex barter arrangement which Talbot had previously claimed should provide continuity of payment well into next year.

About £50m is now thought to be available to finance the transfer of the 34,000 car kits to restart Iranian assembly. Another £20m will fund future production in Coventry.

The disruption to the Iranian contract is likely to push Talbot back into loss after two profitable years. In 1983 the company recorded a net profit of £3.1m after accumulated losses approaching £400m over the previous decade.

Mr Geoffrey Whalen, the managing director, warned in his annual report that problems with Iran were a key factor in reducing the 1984 net profit to only £727,000.

Export to Iran in 1984 were 57,500 kits against 87,800 the previous year. The latest cuts should still provide for the supply of about 50,000 kits a year.

Crucial to Talbot's UK plans is the C28, a medium-sized hatchback that will go into production at the Ryton assembly plant, Coventry, this autumn with the support of a £20m investment by Peugeot.

Union threatens strike over steel closure

BY OUR LABOUR STAFF

LEADERS OF the Iron and and Steel Trades Confederation said yesterday that they were prepared to ballot one fifth of the union's labour force on strike action if British Steel Corporation (BSC) went ahead with its plan to close the Tinsley special steels plant in Sheffield.

Their decision in conference at Jersey yesterday raised the prospect of the first major confrontation in the UK steel industry since the national stoppage of 1980.

The union is also seeking legal advice on taking out an injunction against BSC in an attempt to halt the rundown or closure of the works on the grounds of lack of consultation.

- The Transport and General Workers' Union, Britain's largest Union, yesterday rejected a move to bar from office members of the Trotskyist group, Militant Tendency.

After a devisive and emotional debate at the union's conference at Bournemouth, delegates voted by about 2–1 in favour of a statement from the executive opposing "bans, proscriptions and witch hunts" within the union and the Labour Party.

This decision was taken even though the conference had given a standing ovation on Monday to Mr Neil Kinnock, Labour Party leader, for a speech in which he talked of giving "the short arm chop" to extremist groups.

Mr Ron Todd, general-secretary elect, said the union did not want to return to the situation of post-war years when Communist Party membes were banned from office. "The cold war atmosphere was allowed to grip the union with division, strain and suspicion," he said.

Liffe launches options market with fierce battle in view

BY ALEXANDER NICOLL

A RITUAL BELL was rung yesterday by Mr Norman Tebbit, Secretary for Trade and Industry, to launch trading in options on the floor of the London International Financial Futures Exchange (Liffe).

As the perfunctory opening ceremony approached, option traders dressed in the many-coloured jackets traditionally worn on futures exchanges crowded round the new options pitch – located at one end of Liffe's trading floor under the dome of the Royal Exchange.

Traders in the exchange's Eurodollar futures pit, meanwhile, refused to be outdone. Their shouted bids and offers all but drowned out Mr Tebbit's few words of encouragement.

With business safely under way, Mr Tebbit said options offered new opportunities for protection against economic risk.

"They offer, particularly to those in international trade and commerce, a means of coping with uncertain currency exposure – a problem that in the past has played havoc with profit margins."

He added. "To maintain its position as an international financial centre, it is essential that London offers a full range of financial services to match its foreign competitors." Currency options extended the protection offered by financial futures against volatile markets.

Liffe's sterling/dollar option, one of the two contracts launched yesterday, will compete against London Stock Exchange options introduced in May. It will be a fierce battle, with the market as a whole believing – and the participants acknowledging – that only one marketplace for currency options can be successful in London.

The sterling option is intended to appeal to banks and companies wishing to hedge their currency risks, as well as to speculators who can obtain a highly leveraged investment.

Providing the right to buy or sell £25,000 in exchange for dollars at a specified rate any time before expiry, it is twice the size of the stock exchange's option and therefore less likely to attract small investors.

Even less for the man in the street is Liffe's second option, which provides the right to buy or sell its own futures contract based on U.S. $1m Eurodollar three-month deposits. But the contract is expected to appeal to banks operating in the huge Eurodollar market, as well as to companies and portfolio managers seeking more efficient management of their liabilities and assets.

Liffe, which claims to be the world's largest futures market outside the U.S., is offering a powerful incentive to establish itself as a recognised marketplace for options. Members who have subscribed to the options market will pay no transaction or clearing fees until the end of September.

The exchange has also introduced a new system similar to that in futures markets where participants initially pay only part of the ecost of a contract, adjustable depending on the market's movements. The system, offered by no other exchange, will enable member to offset their futures and options positions against each other.

Liffe has received 177 applications to trade options.

With options contracts springing up on exchanges around the world and business booming, especially in Chicago and Philadelphia, Liffe also plans an option on its long-gilt futures contract.

THE PROPERTY MARKET BY WILLIAM COCHRANE

P & O GROUP

Town & City in the Triangle...

A MAJOR planning battle, and a crucial test case for green belt development around London's M25 orbital motorway, is predicted following Town & City's selection as prospective developer for the "Golden Triangle"—the 90-acre Bricket Wood site at the M1/M25 interchange north west of London, between Watford and St Albans.

Town & City, part of Sir Jeffrey Sterling's recently merged P & O/Sterling Guarantee group, already has its hat in the M25 ring with a bid for a £200m retail and leisure complex at Thurrock, north of the Dartford Tunnel, where it is in competition with a Capital & Counties / Pearson group proposal.

For the Triangle, it has been selected from a short list of seven developers to negotiate with the two owners of the site — the Department of Transport and the trustees of local landowners — to purchase an option.

Thus armed, its next move is to approach St. Albans City and District Council, the planning authority, for discussions and, ultimately, permission to develop the site. This is where the trouble begins.

Both the districts, and the Hertfordshire County Council's structure plans designate this site as metropolitan green belt and an agricultural priority area. St Albans does not like the prospect of being sucked into conurbation, initially with Watford or eventually with Greater London.

Mr Brian Rigby, leader of the Alliance-controlled district council, commented: "the developers will not get from this district council—and this is a unanimous, all-party view—acceptance for any development which is not green belt or agricultural."

He said that Mr Patrick Jenkin, the Environment Secretary, had said in direct response to St Albans and Hertfordshire queries that the impact and effect of motorway development would not lead to the abuse of green belt policy—this in October last year; and, later, that a planning appeal would not be granted if it were in breach of county or district structure plans.

The Department of Transport collects some stick for being a party to the marketing but what, it asks, was it supposed to do? The land, part of that purchased for motorway construction, is surplus to requirements; the department is under an obligation to sell, it says. It knows only too well the brickbats it would get if the land were sold, classified as Grade III agricultural, and subsequently got permission for commercial development.

As for T. and C., deputy chairman Ron Jennings says it intends to ask for a very low density scheme incorporating some retailing, a business park, some leisure and an hotel—"and a great deal of landscaping," he says, "paying particular attention to the architecture to make it of domestic scale—not high rise.

"We feel that access, which can only be from the A405 (third leg of the triangle, with the two M-ways) should be made as good as possible, via a flyover or flyunder," he says. "We are also conscious of the feelings and views of residents of the Brickett Wood housing area directly across the A405 —where traffic is such that residents frequently cannot get in or get out."

... and synergy in the City

"WHEN I put SGT and P & O together," recalls Sir Jeffrey, "it was a merger of many complementary interests and we were hoping for synergy. Now we have it, with Town and City and Bovis working together."

T & C is joint project manager, and Bovis responsible for construction, in a new P & O project to refurbish or redevelop P & O's former headquarters, Beaufort House in St Botolph Street near Aldgate.

The most remarkable feature of this project is that it takes in Stockley in a joint ventre, and as joint project manager. P & O and Stockley have invested £8m each in Beaufort House Development which will acquire the long lease of the property, now held by P & O, for £15m.

P & O opened up discussions on Beaufort House, first with London and Edinburgh Trust but then more extensively with Stockley, when Sir Jeffrey was chairman of both P & O and SGT but while those two companies were still apart. By the time they merged, says Sir Jeffrey, discussions with Stockley were so advanced that it was decided to continue.

Both Sir Jeffrey and Elliott Bernerd, director of Stockley, see it as significant that this is yet another development where two or more principals have pooled their interest in what could be a costly deal.

Mr Bernerd emphasises that the decision to redevelop or refurb has not been taken yet. But he says that refurbishment would be at a limited cost whereas redevelopment could take the partners into the £50m to £60m bracket.

The development option is clearly tempting. "There are few major sites left in the city which could take the large floors — in excess of 20,000 sq ft — which are now in demand," he says.

Royal funds Bargate

ROYAL LIFE is to fund Dunning Developments' £25m, 155,000 sq ft Bargate Centre in Southampton on a site at the bottom of the pedestrian section of Above Bar, the city's main shopping pitch.

The scheme, says Royal, will be Southampton's first major shopping develpoment, comprising fully enclosed shopping malls with retail and storage accommodation arranged on four levels. It will also incorporate a central atrium leading to a new 240 space multi-storey car park at the rear.

Royal says that the scheme has the support of the local council and is expected to obtain planning consent shortly. Construction work is expected to start early in 1986 and will take about two and a-half years to complete.

There are long standing plans for another centre on Western Esplanade in the city, now known as the Marlands development, where Heron Corporation and CIN are looking for a retail content which has been cut back, and is now estimated at between 200,000 and 250,000 sq ft.

Royal will acquire the freehold of the site. It was advised on the acquisition by St Quintin, while Dunning's agents were Suttons Commercial.

The Bargate Centre will represent Royal Life's second largest retail commitment

Decentralisation moves continue

THE ENTIRE 140,000 sq ft of offices contained in the Quadrant Centre, Redhill, a £40m town centre development on the southern stretch of the M25 by Norwich Union Insurance — in partnership with Surrey County Council and Reigate and Banstead Borough Council—have been pre-let by sole agents Jones Lang Wootton to Lombard North Central.

In a major decentralisation move, the NatWest subsidiary is paying a rent of £13 per sq ft. Elsewhere, Dimsdale Developments (South East) has attracted the makeup group Max Factor to its 21,775 Watermans Park office scheme at Brentford Riverside. Max Factor, decentralising from Davies Street in London's West End, is taking the whole scheme at a rent of £305,000 per annum.

● Stockbrokers Scrimgeour Vickers say that Stock Conversion's £30m White City deal with the BBC helps raise its asset value from a March 1985 level of around 550p a share to a current estimate of 600p.

Peter Levy, a director of Stock Conversion, thinks that its pre-emptive rights on the BBC's key, freehold Langham site in the West End of London — secured as part of the White City deal — could be useful within one to three years.

● Paul Hamlyn and Sir Terence Conran, in a partnership advised by Jones Lang Wootton, have paid a reputed £8m for the freehold of Michelin House, the tyre company's 90,000 sq ft headquarters at 81, Fulham Road, Chelsea London SW3. Michelin were advised by Gerald Eve.

Plans include offices on the upper floors, a major store at ground and basement levels and a new restaurant within an "extensive and sensitive" renovation of the building, built in only five months in 1910, which now has a Grade II listed facade.

● Colliers Bigwood & Bewlay acting on behalf of the Harris & Sheldon Group have disposed of the former English Rose Kitchens Factory, 126,300 sq ft at Wedgnock Lane, Warwick to Volvo Trucks. The price realised for the property, over £1½m, includes some 4.85 acres of further development land.

● Cadillac Fairview and Daon Development have sold their jointly owned, 605,000 sq ft office building at 444 Market Street in San Francisco to two public limited partnerships sponsored by Merrill Lynch Hubbard for U.S.$140m (£108m).

Putting Cork in position

STRUTT AND PARKER partner Peter Banks, acting for the American owned Thomas Cork (Service Merchandisers), saw the second phase of the company's new office/factory/warehouse complex at Lenton Lane, Nottingham, come in on target this week.

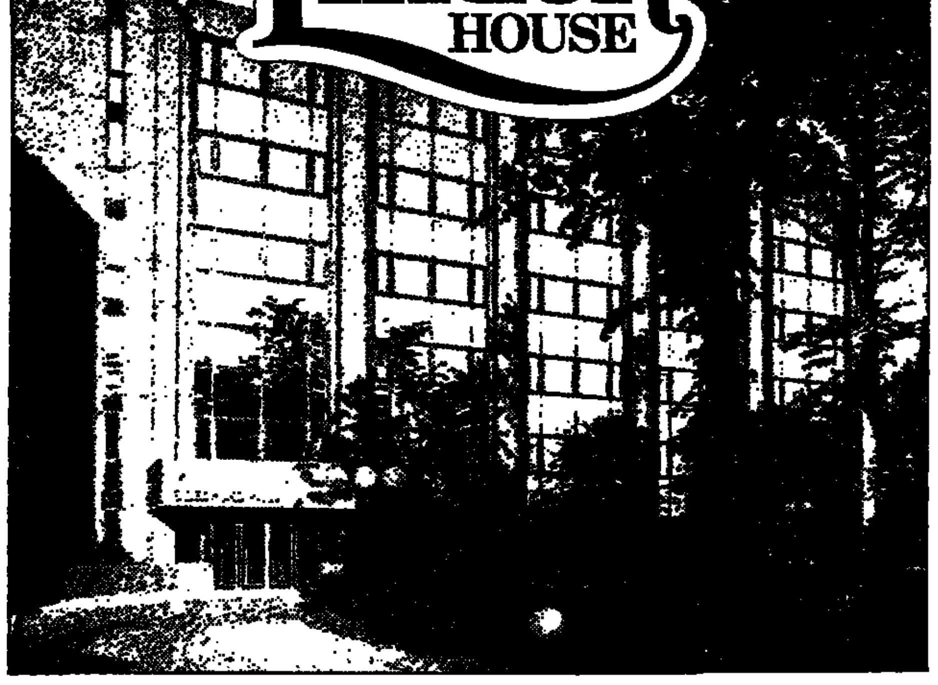
Cork puts goods on superstore shelves, it is growing fast and it wanted its new building in a hurry. Banks says that the purchase of the land, an old rubbish tip, went through last September, planning permission came in a couple of days and the builders were on the site in three.

"I would normally expect a gap of eight or nine months between site purchase and the start of building work; and 18 months' construction, meaning a total period of 24 to 30 months between purchase and occupation," he says.

In this case Cork had to move into its assembly section in May of this year, and did so. Strange space, another major area, followed this week and the ancillary office space will follow in September.

Strutts worked with local agents, Nattrass Giles, Vigers as project managers and Conder Projects (Midlands) as the contractors.

Mr Banks says that the building has lost nothing in architectural quality from the speed of its construction. Cost of the project was in excess of £3m.



International Property

Company Notices

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED

(Incorporated in the Republic of South Africa)

ANNUAL GENERAL MEETING

Notice is hereby given that the sixty-eighth annual general meeting of members of Anglo American Corporation of South Africa Limited will be held at 44 Main Street, Johannesburg on Thursday, August 22 1985, at 9h00 hours, for the following business:

1. To receive and consider the annual financial statements for the year ended March 31 1985.
2. To elect directors in accordance with the provisions of the Corporation's articles of association.
3. To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolution, namely:
   That the directors be and they hereby are authorised:
   (i) To allot and issue:
   (a) all or any portion of the 9 650 000 unissued redeemable cumulative preference shares of 2.5 cents each in the capital of the Corporation and,
   (b) after providing for the allotment and issue of the ordinary shares in terms of the share incentive scheme and any ordinary shares which shall have been set aside for allotment in substitution for shares in Rand Selection Corporation Limited arising on conversion of bonds of US$1 000 each representing the Rand Selection US$30 million 6.5 per cent convertible loan 1986, all or any portion of the remaining unissued ordinary shares of 10 cents each in the capital of the Corporation,
   at such time or times to such person or persons, company or companies and upon such terms and conditions as they may determine.
   (ii) To make arrangements on such terms and conditions as they may deem fit for the subscription by underwriters of,
   (a) any shares offered by way of rights issues but not taken up by the persons entitled thereto, and
   (b) any shares resulting from the consolidation of any fractional entitlements in respect of any shares issued in pursuance of a rights issue, provided that any rights to such shares which can be sold in nil-paid form on the Johannesburg and/or London stock exchanges in the period during which they are quoted on such stock exchanges may be sold by the underwriters, and the net proceeds of any sale of such rights shall be paid to the Corporation.

Holders of share warrants to bearer who wish to attend in person or by proxy or to vote at any general meeting of the Corporation must comply with the regulations of the Corporation under which share warrants to bearer are issued.
A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his stead. A proxy need not be a member of the Corporation.

By order of the board
C. L. MALTBY
Secretary

Registered Office:
44 Main Street
2001
June 27 1985

aac

Note:
Holders of share warrants to bearer may obtain a copy of the annual report and accounts upon application to 40 Holborn Viaduct, London EC1P 1AJ.

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN
MAKITA ELECTRIC WORKS, LTD.

Further to our notice of February 21, 1985, EDR holders are informed that Makita Electric Works, Ltd. has paid a dividend to holders of record February 20, 1985. The cash dividend payable is Yen 9 per Common Stock of Yen 50.00 per share. Pursuant to the Terms and Conditions the Depositary has converted the net amount, after deduction of Japanese withholding taxes, into United States Dollars. EDR holders may now present Coupon No. 9 for payment to the undermentioned agents. Payment of the dividend with a 15% withholding tax is subject to receipt by the Depositary or the Agent of a valid affidavit of residence in a country having a tax treaty or agreement with Japan giving the benefit of the reduced withholding rate. Countries currently having such arrangements are as follows:

A. R. of Egypt	F. R. of Germany	Malaysia	Singapore
Australia	Finland	The Netherlands	Spain
Belgium	France	New Zealand	Sweden
Brazil	Hungary	Norway	Switzerland
Canada	Indonesia	Poland	United Kingdom
Czechoslovakia	Ireland	Rep of Korea	U.S. of America
Denmark	Italy	Romania	Zambia

Failing receipt of a valid affidavit Japanese withholding tax will be deducted at the rate of 20% on the gross dividend payable. The full rate of 20% will also be applied to any dividends unclaimed after September 20, 1985.
Amounts payable in respect of current dividends.

Coupon No 9 EDR denomination	Gross Dividend	Dividend payable less 15% Japanese withholding tax	Dividend payable less 20% Japanese withholding tax
10,000 shares	$360.79	$306.67	$288.63
1,000 shares	$36.07	$30.66	$28.86

Further to the notice of February 21, 1985, concerning the free distribution of shares (1 new for each 10 old), EDR holders are informed that the new shares are now available for delivery and should be claimed by presenting Coupon No. 10 to the Depositary or the Agent. EDRs will only be issued in Authorised Denominations of 1,000 shares, therefore any EDR holder not able to present coupons making-up an Authorised Denomination will receive the net proceeds of the sale of their entitlement in United States Dollars pursuant to Condition 5 of the Terms and Conditions.

Depositary:
Citibank, N.A.
336 Strand, London WC2R 1HB
June 28, 1985

Agent:
Citicorp Bank (Luxembourg) S.A.
16 Avenue Marie Therese

FRIESCH-GRONINGSCHE HYPOTHEEKBANK N.V.

U.S.$ 20,000,000
Floating Rate Notes due 1987

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from June 27, 1985 to September 27, 1985 the Notes will carry an interest rate of 8⅛% per annum.

The interest payable on the relevant interest payment date, September 27, 1985 against coupon n°14 will be U.S.$ 108.61 per Note.

Agent Bank
KREDIETBANK
S.A. LUXEMBOURGEOISE

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN
FUJITEC CO., LTD.

Further to our notice of March 25, 1985, EDR holders are informed that Fujitec Co., Ltd has paid a dividend to holders of record March 31, 1985. The cash dividend payable is Yen 5 per Common Stock of Yen 50.00 per share. Pursuant to the Terms and Conditions the Depositary has converted the net amount, after deduction of Japanese withholding taxes, into United States Dollars. EDR holders may now present Coupon No. 9 for payment to the undermentioned agents. Payment of the dividend with a 15% withholding tax is subject to receipt by the Depositary or the Agent of a valid affidavit of residence in a country having a tax treaty or agreement with Japan giving the benefit of the reduced withholding rate. Countries currently having such arrangements are as follows:

A. R. of Egypt	F. R. of Germany	Malaysia	Singapore
Australia	Finland	The Netherlands	Spain
Belgium	France	New Zealand	Sweden
Brazil	Hungary	Norway	Switzerland
Canada	Indonesia	Poland	United Kingdom
Czechoslovakia	Ireland	Rep. of Korea	U.S. of America
Denmark	Italy	Romania	Zambia

Failing receipt of a valid affidavit Japanese witholding tax will be deducted at the rate of 20% on the gross dividend payable. The full rate of 20% will also be applied to any dividends unclaimed after October 31, 1985. Amounts payable in respect of current dividends:

Coupon No 9 EDR denomination	Gross Dividend	Dividend payable less 15% Japanese withholding tax	Dividend payable less 20% Japanese withholding tax
1,000 shares	$20.16	$17.13	$16.12

Depositary:
Citibank, N.A.
336 Strand, London WC2R 1HB
June 28, 1985

Agent:
Citicorp Bank (Luxembourg) S.A.
16 Avenue Marie Therese

London American Energy N.V.

Notice to Shareholders

In his statement of 3rd April 1985, the Chairman of London American Energy N.V. noted that the group was negotiating a loan facility of $10 million. This loan has now been signed and, accordingly, the Board has declared a capital distribution of $100 per share, payable on 10th July 1985.
Payment on registered shares will be made in dollars to or to the order of the holders of record on 3rd July 1985. Payment on bearer shares will be made in dollars by cheque or by transfer to an account maintained by the payee with a Bank in New York City against presentation of coupon number 10 at the offices of J. Henry Schroder Wagg and Co Limited, 120 Cheapside, London EC2V 6DS or J. Henry Schroder Bank and Trust Company, One State Street, New York 10015 or Banque Generale du Luxembourg S.A., 14 rue Aldringen, Luxembourg.

London American Energy N.V.
25th Juune 1985

European Investment Bank

7¼% 1972/1987 FF 175,000,000

Bondholders are advised that on June 14, 1985 Bonds for a total amount of nominal FF 580,000 were drawn for redemption. The Bonds bearing the following numbers were drawn:
9259 to 9297 incl. 9310 to 9317 incl. 9327 to 9330 incl. 9334. 9339 to 9346 incl. 9351 to 9367 incl. 9373 to 9380 incl. 9387. 9396 and 9397. 9436 and 9437. 9443 to 9447 incl. 9460 to 9466 incl. 9475 to 9486 incl.
These Bonds will be reimbursed, coupon No. 14 and following attached, on and after August 1, 198.
Nominal amount purchased on the market: FF 16,920,000.
Nominal amount unamortised: FF 52,500,000.

Fiscal Agent
KREDIETBANK
S.A. Luxembourgeoise

Luxembourg,
June 28, 1985.

NOTICE OF EARLY REDEMPTION OF
BANQUE FRANCAISE DU COMMERCE EXTERIEURE

U.S.$400,000,000
GUARANTEED FLOATING RATE
NOTES DUE 1987

NOTICE IS HEREBY GIVEN to the holders of the above mentioned Notes that Banque Francaise du Commerce Exterieure will proceed to the early redemption of the total of the outstanding Floating Rate Notes due 1987 on the next interest payment date falling on July 29, 1985.
Interest accruing on the outstanding Floating Rate Notes will cease as of that same date.

BANQUE INTERNATIONALE A LUXEMBOURG
Societe Anonyme
Fiscal Agent

EULA INTERNATIONAL B.V.

Floating Rate Note Issue of US$25,000,000 1981/1989

The rate of interest applicable for the six months period beginning June 28 1985 and set by the reference agent is 8½% annually.

BASS CHARRINGTON LIMITED
(BASS LIMITED)
1972/1987 FFr 50,000,000
Bonds 7½%

Notice is hereby given to Bondholders of the above loan that the *amount redeemable* on August 1st, 1985, i.e. FFr 2,500,000 was bought in the market.
Amount outstanding: FFr 22,000,000.

Principal Paying Agent
KREDIETBANK
S.A. Luxembourgeoise

Luxembourg
June 28, 1985

LEUMI INTERNATIONAL INVESTMENTS N.V.

U.S.$75 MILLION GUARANTEED FLOATING RATES NOTES 1986 (EXTENDIBLE TO 1989)

The interest rate applicable to the above Notes in respect of the six month period, commencing 28th June 1985, has been fixed at 8½% per annum.
The interest amounting to U.S.$43.58 per U.S.$1,000 Nominal to U.S.$436.81 per bond of U.S.$10,000 Nominal and to U.S.$4,368.06 *per* bond of U.S.$100,000 Nominal *will be paid on Monday, 30th* December 1985 against presentation of Coupon No. 13.

BANK LEUMI TRUST COMPANY OF NEW YORK
Principal Paying Agent

Legal Notices

MAJOR COATS LIMITED
(IN VOLUNTARY LIQUIDATION)

NOTICE IS HEREBY GIVEN, pursuant to section 299 of the Compsines Act 1948 that a *General* Meeting of the Members of the above-named Company will be hld at the offices of Single & Company, Chartered Accountants, New Broad Street House, 35 New Broad Street, London EC2M 1NH, on 27th June 1985 at 11.00 a.m. to be followed at 11.15 a.m. by a General Meeting of the Creditors for the purpose of receiving an account of the Liquidator's acts and dealings and the conduct of the winding-up to date.
11th June 1985.
S. K. SINGLA, F.C.A.,
Liquidator.

IN THE MATTER OF THE COMPANIES ACT 1948 AND TUSCANI COLLECTIONS LIMITED T/AS SANTA FE

NOTICE IS HEREBY GIVEN Pursuant to Section 293 of the Compaines Act, 1948 that a MEETING of the CREDITORS of the above-named Company will be held at Great Eastern Hotel, Liverpool Street, London, EC2, on Thursday 4th July, 1985 at 2.30 pm for the purposes *mentioned in Sections 294 and 295* of the Said Act.
Dated this 24th June, 1985.
By Order of the Board,
C. NANJEE,
Director.

THE COMPANIES ACTS 1948 TO 1976
DREAMSCENE LIMITED

NOTICE IS HEREBY GIVEN, pursuant to *Section 293 of the Companies Act 1948,* that a Meeting of the Creditors of the above-named Company will be held at The Connaught Rooms, Great Queen Street, London, WC2B 5DA on Wednesday, the 10th day of July, 1985, at 10.30 o'clock in the forenoon, for the purposes mentioned in Sections 294 and 295 of the said Act.
Dated this 5th day of June, 1985.
By Order of the Board
DAVID FOOT, Secretary

THE COMPANIES ACTS 1948 TO 1976
DREAMSCENE FURNITURE LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 293 of the Companies Act 1948, that a Meeting of the Creditors of the above-named Company will be held at The Connaught Rooms, Great Queen Street, London, WC2B 5DA on Wednesday, the 10th day of July, 1985, at 12 o'clock noon, for the purposes mentioned in Sections 294 and 295 of the said Act.
Dated this 5th day of June, 1985.
By Order of the Board
DAVID FOOT, Secretary

FINANCIAL HIGHLIGHTS 1984

Our activities include

- short and medium term euro-currency loans
- forfaiting and guarantees
- money and foreign exchange trading
- securities and precious metals trading
- acting as trustee
- accepting of deposits
- portfolio management

1983		1984
5,748 MIL DM	Balance sheet total	6,464 MIL DM
3,044 MIL DM	Due from customers	3,355 MIL DM
2,507 MIL DM	Due from banks	2,874 MIL DM
66 MIL DM	Securities	80 MIL DM
5,325 MIL DM	Deposits	5,998 MIL DM
206 MIL DM	Legal capital funds	222 MIL DM
(Flux 20.72/DM 1.–)		(Flux 20.18/DM 1.–)

* The complete balance sheet as well as the profit *and loss account will be published in the MEMORIAL,* official gazette of the Grand-Duchy of Luxembourg, edition C.

NORD/LB
Norddeutsche Landesbank Luxembourg S.A.
26, Route d'Arlon
P.O. Box 121
L-1140 Luxembourg

Telephone
472591-1 General Service
470801 Forex
29241 Securities
472391319 Telefax
Infotec 6500

Telex
2485 nordlb lu General
2265 nordlb lu Forex
2885 nordlb lu Credits
Commercial Register Lux. No. B 10405

NORD/LB
NORDDEUTSCHE LANDESBANK
LUXEMBOURG S.A.

£100,000,000

BANK OF MONTREAL
Incorporated 1817

FLOATING RATE DEPOSIT NOTES, DUE 1994

For the three months
27th June, 1985 to
27th September, 1985

In accordance with the provisions of the Deposit Notes, notice is hereby given that the rate of interest for the above interest period has been fixed at 12⁹⁄₁₆ per cent and the interest amount payable on the 27th September, 1985 for such interest period will be £159·90 on a principal amount of £5,000 of the Deposit Notes and £1,598·97 on a principal amount of £50,000 of the Deposit Notes

Morgan Guaranty Trust Company
London

SHEARSON LEHMAN BROTHERS

An American Express company

Shearson Lehman Brothers Inc., an associate member of the London Gold Market, has established a branch in London responsible for bullion trading.
With effect from 1st July the London Branch *will offer a full bullion dealing service* and this will complete the company's global bullion trading network.
Shearson Lehman Brothers Inc will then have three primary bullion dealing centres, New York, London and Hong Kong and three secondary dealing centres, Singapore, Geneva and Hamburg.
The company has been offering a full dealing service from New York and Hong Kong for the last 18 months and the establishment of the new London Branch will complete the Group's 24 hour a day, worldwide dealing service.

Shearson Lehman Brothers Inc.,
Peninsular House, 36 Monument Street,
London EC3R 8LJ.
Telephone: 01-283 8711. 01-623 2473 (for dealing).
Telex: 888881. 8950811 (for dealing).

Moët·Hennessy

The Annual General Meeting of Shareholders, which met in Paris on June 13, 1985, with Mr Alain Chevalier in the chair, approved the financial statements and balance sheet for the year ended December 31, 1984.
The meeting set the dividend for the year at FFr 23 per share, to which is added tax credit of FFr 11,50, giving a total dividend of FFr 34,50.
An interim dividend of FFr 9 was declared on February 4, 1985. The balance outstanding, i.e. FFr 14, will be made payable on July 1, 1985, against presentation of coupon No 41.
At its subsequent meeting, the Board of Directors renewed Mr Alain de Pracomtal's appointments as Deputy-Chairman and Managing Director.
The Chairman informed the Board that the Group had performed satisfactorily in the first five months of the year, consolidated sales having risen 22%.

Scandinavian Finance B.V.

(Incorporated in the Netherlands with limited liability)

£20,000,000
Sterling Floating Rate Notes 1990

Guaranteed on a subordinated basis by

Scandinavian Bank Limited
(Incorporated in Great Britain with limited liability)

For the three months
27th June, 1985 to 27th September, 1985

In accordance with the provisions of Notes, notice is hereby given that the rate of interest has been fixed at 12¹³⁄₁₆ per cent and that the interest payable on the relevant interest payment date, 27th September, 1985 against Coupon No. 21 will be £32·29.

Agent Bank:
Morgan Guaranty Trust Company
London

28 June 1985

CFX
Credit for Exports PLC

(Incorporated in England with limited liability)

U.S. $155,000,000
Unsecured Floating Rate Notes
due 1985 to 1992

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the period from 1 July 1985 to 2 January 1986 has been established at 8¼ per cent. per annum.
The interest payment date will be 2 January 1986. Payment, which will amount to US$423.96 per Note, will be made against the relative coupon.

Agent Bank
Morgan Grenfell & Co. Limited

Copenhagen Handelsbank A/S

(Incorporated in the Kingdom of Denmark with limited liability)

U.S. $100,000,000
Subordinated Floating Rate Notes Due 2000

In accordance with the provisions of the Notes notice is hereby given that for the six months interest period from 28th June, 1985 to 30th December, 1985 the Notes will carry an interest Rate of 8⁵⁄₁₆% per annum. The interest payable on the relevant interest payment date, 30th December, 1985 will amount to U.S. $427·17 per U.S. $10,000 Note and U.S. $10,679·25 per U.S. $250,000 Note.

Morgan Guaranty Trust Company of New York, London
Agent Bank

PRIVREDNA BANKA ZAGREB

FLOATING RATE NOTES DUE 1986

In accordance with the conditions of the Notes, notice is hereby given that for the six-month period 28th June 1985 to 30th December 1985 (185 days) the Notes will carry an interest rate of 9¼% pa.
Relevant interest payments will be as follows:

Notes of US$1,000 US$47.21 per coupon

CREDIT LYONNAIS (London Branch)
Agent Bank

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

Fast food

Big Mac triumphs over culture gaps

Carla Rapoport compares the U.S. chain's UK and Japanese operations

WHEN McDonald's, the U.S. hamburger giant, opened its first British outlet in 1974 with the offer of a free meal for any family, abosolutely no one came.

Three years earlier, McDonald's opened its first restaurant in Japan, in the heart of Tokyo's fashionable Ginza district. The store was mobbed.

Today, McDonald's is a big hit in both countries—Japan rivals Canada as McDonald's most prosperous overseas operation, while McDonald's UK is one of Britain's fastest growing compaines in the UK fast-food industry. But aside from selling the same all-American menu, the paths to success for the two McDonald's outlets have been about as different as a hamburger is from a French fry.

At first glance, one could be forgiven for missing the contrast. In Tokyo or London, McDonald's restaurants are unmistakably decorated in reds and yellows while inside, details like how much ketchup is squirted on each cheeseburger are strictly observed. But when it comes to management, there appears to be no identikit for McDonald's people. The American staff in Britain is skeletal; every store manager in the country is British. And in Japan, the local entrepreneur who runs McDonald's insists his company is as Japanese as Sony and Honda.

Take Tokyo first. McDonald's Japan has its headquarters on the 54th floor of the ultra-modern Sumitomo Shinjuku building, where the president has an office which could accommodate the average Japanese home. For three years now, McDonald's Japan has ruled as Japan's largest restaurant company, in terms of sales. Den Fujita, president and 50 per cent shareholder of McDonald's Japan, exudes that success in a manner which would make even the brashest American blush.

"If I were Japan's ambassador to the U.S., I would have the trade friction problems solved in a week. If I were head of Coca-Cola in Japan, I'd double their sales in two weeks," says Fujita. While Fujita's diplomatic abilities remain untested, his management capabilities in Japan, a notoriously difficult market to penetrate, cannot be denied. In the last 15 years, McDonald's sales in Japan have climbed from nothing to an expected Y130bn this year, of which Fujita gets one per cent. Profits are expected to be nearly Y11bn (£34.5m). McDonald's plans to go public in Tokyo next year with forecast sales for 1988 of Y200bn.

So how did Fujita change a nation of rice and fish eaters into hamburger fans? First, he gives a nod to the American parent company for providing a good product and a well-tested formula for making it. Second, and just as important, he credits his own understanding of the Japanese psyche for McDonald's success in Japan.

Foreigners

The Japanese, he says, love foreign goods, but don't particularly like foreigners. "Frankly speaking, we don't like any foreign people, Chinese, Korean, anyone," he says with a broad smile. As a result, he pushed McDonald's Japan down a neutral path. The new restaurants made no direct mention of the U.S. For example, they used no stars and stripes decorations, or American advertisements.

Further, he knew that fashions in Japan caught fire in city centres and moved outwards. So he threw out the U.S. concept of suburban McDonald's and spent nearly a year negotiating with Mitsukoshi, one of Japan's oldest department store chains for the right to open the first McDonald's on the ground floor of its Tokyo flagship store. Once he had his location, he then mounted a heavy advertising campaign and opened the store on the first day of Japan's summer holidays. Children and teenagers have been flocking to McDonald's ever since.

Japanese children today, he claims, believe McDonald's is a Japanese company, with conveniently located branches in America. "It's the mixture of inferiority and superiority that you have to stimulate," he says. "There are no Americans in this office. I refuse to have any." His flair has attracted like-minded Japanese, some of whom have come from establishment firms like Exxon to join McDonald's.

In the UK, McDonald's was slower to take off for two major reasons. First, the American company had a devilishly difficult time getting the UK food industry to meet its requirements and second, it had to overcome the basic scepticism of the English customer.

"People hadn't had a satisfactory eating experience from hamburgers," when McDonald's arrived in England, according to Bob Rhea, the founding joint-venture partner in McDonald's UK. "In England, people vote with their feet. They won't complain about something; they just won't come back," he says.

As a result, he says, finding dependable suppliers became crucial to the company's success. And in this regard, the U.S. group ran into the bedrock of conservatism which runs through the UK food manufacturing industry. "We had to achieve McDonald's quality, consistently. So, in the beginning, we imported like mad. We really found that a great part of the British food industry had no confidence in McDonald's. They thought that customers of fast-food outlets had no loyalty," says Rhea.

The national butcher shop chain which refused to answer Rhea's calls 10 years ago must be kicking itself today. McDonald's UK is now one of England's largest beef purchasers. For its hamburger rolls, McDonald's set up a joint-venture bakery in the UK which is now the country's largest producer of these rolls, making nearly 2m a week.

This year McDonald's UK will have sales of well over £100m and more than 12,000 people working for it, making it a larger employer than Habitat-Mothercare. Some 85 per cent of its employees, however, are part-time, with 75 per cent of the total under 21 years. Minimum wage at McDonald's is £1.60 an hour.

Roger Taylor

"Some 85 per cent of MacDonald's UK employees are part-time, with 75 per cent of the total under 21 years"

Unlike Japan, McDonald's UK has been unashamedly American in its promotions—touting the American breakfast and happily admitting to its American parentage. It has also focused on suburban locations, finding the only barrier to its growth is local planning laws which bar restaurants from occupying former retailing premises. The company reckons it could open six extra restaurants a year if these laws were relaxed.

Similarities

For all their differences in management style, there are some unexpected similarities between Japan and the UK McDonald's. McDonald's basic business formula in both countries is to build sales, not cut costs. Thus, in Japan as well as England, the people pushing McDonald's hamburgers are almost as important as the products they are selling. Considering that most of these employees are previously unemployed teenagers, this concept bears some exploring.

McDonald's Japan not surprisingly has attracted a host of local competitors, such as the Love hamburger chain operated by Morinaga, the confectionery group, and Mos Burgers, an independent company. Mos for example, includes Japanese fast-food items on its menus, while Love offers an even wider range of American goodies, such as tuna and melted cheese on an English muffin. Neither chain is anywhere near as successful as McDonald's.

The reason for McDonald's continued success despite this competition, according to industry executives, is the consistency of its products and the high level of training it gives its people. "Where else in Japan can you find a Hamburger University," comments an executive at one of Japan's leading food suppliers. "It isn't really a university, but kids love the idea." All trainees undergo a short course at the "university."

McDonald's UK also has its "university," located at its Marble Arch offices. Paul Preston, the company president, has a degree in hamburgerology framed on his wall. "It is a way of getting involved in the whole concept. Sometimes I think if you cut a McDonald's employee, he would bleed ketchup."

In both countries, employees who serve customers wear plastic name badges with five holes for stars. These stars are bestowed when the employee masters a major area of responsibility, such as buns and dressings or fillets and pies. Thirty-five per cent of McDonald's UK store managers work their way up from buns and dressings into white shirts and ties. Even the finance director spent a few days grilling Big Macs to get a feel for the business.

In talking to McDonald's employees, one often sees a kind of starry-eyed look of satisfaction on their faces. But then, with a vast majority of employees working part-time, those who don't do well are gently guided into leaving. McDonald's Japan, as a result, has no problems with life-time employment expectations. Out of its 37,000 employees, only 2,000 are full-time.

Power of directors

'A better balance on boards is desirable'

Jonathan Charkham examines the delicate issue of accountability

THE SUCCESS of an individual company depends upon the quality of its board; the success of an industry upon the companies that comprise it; the success of the UK economy upon its industries. It is right, therefore, that the quality of boards should be a focus of attention. This explains why the Bank of England, with the evidence before it of many inadequate boards among the cases it has handled, led the City institutions, the Confederation of British Industry and the British Institute of Management into setting up PRO NED three years ago.

PRO NED's task was to persuade companies to improve the quality of their boards by appointing a sufficient number of able, independent, directors. It can reasonably claim that from a standing start it has found its place in the market, judging by the demands for its services. Progress is being made. Nevertheless, the Bank of England's latest study* of boards raises the question of whether the rate of progress is fast enough.

What the study of 344 companies reveals is that the proportion of non-executive directors on major company boards is rising, though the total number is not—because boards are getting smaller. The study, however, brings out sharply for the first time the distinction between a "non-executive" and an "independent" director. Nearly one-third of the "non-executives" studied either have or had a professional relationship with the company or had been executives.

It is well known that the degree to which boards are accountable is extremely limited. What the Bank's study suggests is that, although there are many admirable exceptions, most UK boards are still dominated by executives. In practice this usually, but not always, means domination by the chief executive.

No one doubts that the single most important ingredient of success is the quality of top executive management. The study figures suggest that the top executive in many companies is not really accountable to the board since, if they are executives, they are his subordinates. Does this lack of accountability matter? The answer is clearly yes. Lack of accountability does not necessarily produce inefficiency but it makes it hard to check it when things start going worng. That is why so many executive-dominated companies shine for a time, often quite brilliantly, and then falter so badly. A better balance on boards is clearly desirable—but can it be achieved by leaving it to them to put their own houses in order? These issues touch on power and patronage and few things are more sensitive. What changes, in broad outline, seem desirable?

Need to have a real role

The first and least controversial would be to give shareholders more timely and better information about the directors they are called upon to elect or re-elect. It is plainly wrong to bounce names upon them at short notice without adequate information. It would be better if names of those to be elected or re-elected were circulated to shareholders with full information at a decent interval—say two months—before the annual general meeting. The annual report itself should summarise this information about those already on the board—as indeed some companies already do.

Secondly, all PLCs (not just the big ones: some of the worst practices are in the small ones) should have a minimum proportion of truly independent directors on the board, even perhaps a bare majority.

Thirdly, the independent directors need to have a real role, but without destroying the essenital unity of the board and the valuable constructive role they play on the UK unitary board. The EEC's proposals in the Fifth Directive would destroy this unity whether the board had one tier or two. Perhaps it would be enough if the independent directors were given particular responsibility to: vet nominations for independent, but not executive, directors; fix the executive directors' remuneration; and discuss with the auditors the scope and content of the audit.

Such a role would ensure they were able to participate fully in the affairs of the company and give them the status which would ensure an adequate flow of able recruits. PRO NED's experience is that there is no shortage of talent.

Such reforms are hardly revolutionary and are more or less standard practice in the U.S. In quieter times the UK might have gone down the American road where the New York Stock Exchange some years ago made it a precondition of quotation that the company should have an audit committee composed of independent directors, but this is hardly a propitious time to expect our own Stock Exchange to take a major initiative in this area when it has so many other immediate pressure to contend with. Besides, the UK does not have a Securities and Exchange Commission to "motivate" companies by requiring them to show certain information about company boards.

Legislation rightly has few friends, for imposition is a policy of last resort. So the only course that seems open is to continue on the present path with greater encouragement or pressure from shareholders, which effectively means institutional shareholders and, where appropriate, bankers. On present form this will produce results, but slowly and patchily.

From everything I have seen at PRO NED in three hectic years, studded with many hundreds of interviews, there is a great gulf between our best companies (not all big by any means) which such changes rightly would leave almost untouched, and the rest. It is not easy to see precisely what the right prescription should be. We need a general debate on what changes are desirable and how they can best be achieved on a reasonable time scale.

**Published in the latest Quarterly Bulletin, available form Bulletin Group, Bank of England, Threadneedle Street, London EC2R 8AH. Price £7.50. Jonathan Charkham is director of PRO NED (Promotion of non- executive directors).*

TECHNOLOGY

EDITED BY ALAN CANE

Collaboration: the name of the game in U.S. research

The cost of staying ahead is leading more companies into sharing research. **Peter Marsh** reports (below) on links with universities and (right) on a research club

ROBOTS THAT can walk, clean houses and sniff the air for traces of dangerous chemicals are under development at a robotics centre at Carnegie-Mellon University in Pittsburgh funded by some of the giants of American industry.

The centre, with an annual budget of $7m, is one of a series of collaborative ventures with industry at the university. Other centres started in recent years at Carnegie-Mellon cover areas such as magnetic technology, semiconductor research and biochemistry.

Among the companies footing the lion's share of the bill for these establishments are Westinghouse, DEC, Rockwell, Allegheny International, the Nort hAmerican subsidiary of Philips, 3M Control Data, IBM and Hewlett-Packard.

These companies fund roughly a quarter of Carnegie-Mellon's $65-a-year research budget, with the rest coming from government.

The Pittsburgh ventures are one sign of the growing interest in the U.S. in linking research by academic institutes and that done by companies, particularly in information technology.

Universities are keen to foster such connections because it brings them extra cash to fund increasingly expensive research. For their part, companies are becoming more aware that academic research can help in developing new products and processes.

According to a report on information technology research in the U.S. from the Office of Technology Assessment, an agency of Congress, university research is on the threshold of significant change.

It says universities may be seen as critical to U.S. competitiveness in domestic and world markets, to its ability to maintain technical prominence, and to remaining self-sufficient in critical areas for national security purposes.

The report shows companies are stepping up efforts to fund universities, not only for specific research projects but through donations of equipment. Among the major contributions of cash and equipment are IBM, DEC, Apple Computer, Hewlett-Packard, Wang Laboratories, NCR and Honeywell.

As one example, Brown University in Providence, Rhode Island, built a $1.5m computer-science laboratory based on contributions from companies such as IBM, Xerox and Gould.

The University of California at Berkeley has promises of $18m in money and hardware from leading electronics companies including Fairchild, Advanced Micro Devices, DEC, General Electric, Hughes Aircraft, Intel, Tektronix, Texas Instruments and Xerox.

What motivates these companies to increase their ties with academia? The answer, says the report, is the need to share the increasing cost of research and development.

Universities, meanwhile, lack resources from state-administered research budgets and are eager to take up offers of extra money.

Says the report: "The rapid obsolecence of laboratory and research tools, coupled with the highly complex and sophisticated nature of the equipment now needed for advanced information technology research, results in capital costs beyond the reach of most academic institutions . . . Not unexpectedly, universities have had to seek new ways to operate educational and research programmes."

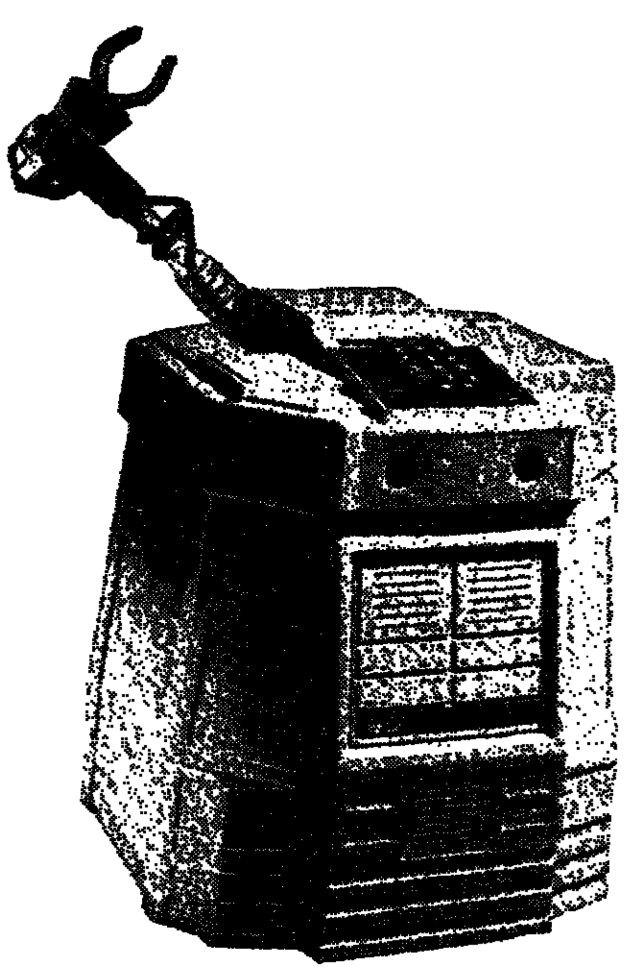
Local government agencies keen to attract investment in university facilities from high-technology companies in order to boost the local economy have also helped fund academic research.

But the report identifies disadvantages with the new arrangements. It says universities can be drawn away from areas of fundamental study and concentrate resources on problems that affect short term business interests.

Industry could also insist that research is done in secret to protect commercial rights. This would interefere with academic traditions over publishing scientific results.

Another danger is that the new, exciting and highly visible ventures between academia and industry will divert faculty staff from other important areas such as teaching and recruiting students.

Information Technology R and D—Critical Trends and Issues; Office of Technology Assesment; U.S. Government Printing Office, Washington, DC.



Shared research is helping to develop robots that can do housework. The Heath robot, used for training, has so far mastered singing and telling the time.

First benefits of clubbing together

A CLUB of some of the biggest U.S. electronics companies expects next year to see the first commercial results from an unusual experiment in collaborative research.

The research at the Micro-electronics and Computer Technology Corporation (MCC) is likely to be used in areas such as semiconductor production software, engineering and computers, with artificial intelligence that can operate with reasoning powers approaching those of humans.

The corporation, which is based in Austin, Texas, and employs 330 people, is a joint venture between 21 U.S. companies. Each pays a share of the $50m-to-$60m-a-year costs.

In return, the participating companies will have the right to use expertise developed at the corporation.

The founding members of the organisation, which started in January 1984, were Advanced Micro Devices, Control Data, DEC, Harris, Honeywell, Motorola, National Semiconductor, NCR, Sperry and RCA.

These companies were later joined by Allied Corporation, Bell Communications Research, BMC Industries, Boeing, Kodak, Gould, Lockheed, Martin Marietta, 3M, Mostek and Rockwell.

The corporation has now decided upon seven projects of basic research, each of which is funded by several club members. The projects encompass semiconductor design, software technology, chip packaging, parallel processing (new computers which process parallel trains of data rather than one instruction at a time), artificial intelligence, the design of new data bases and ways to make it easier to communicate with computers, for instance by speech.

Commercial rights over technologies developed during the programmes, for instance a new method to package semiconductors in plastic arrays or a novel piece of software, belong to the MCC.

At any time during the life of an individual project (which can be up to 10 years), the companies can decide that a specific technology could be used in a commercial activity and take out a licence for its exploitation from the corporation.

Under MCC's rules, any member that has helped to fund a particular programme can license a specific technology arising from the programme up to three years after it has been developed. After this point, any of the MCC's other members are also free to exploit the innovation.

Outsiders which have nothing to do with MCC can also take out licences—but only if the companies in the corporation agree.

Through these mechanisms, the companies in the group hope they will share the costs of doing basic research yet be free to tackle individually commercial exploitation of technical breakthroughs.

The idea of pooling ideas in pre-competitive research is at the heart of the British Government's Alvey programme in advanced computing. In projects funded by this scheme, the government provides 50 per cent of the cash. Rights to technical ideas, rather than passing into the ownership of a single body, are held by the individual companies participating in the programmes.

Mr Bill Strotesbery, director of public affairs at MCC, says the corporation aims to hand out its first technology licence next year. Whether companies pursue collaborative arrangements in taking technical ideas from the MCC research to the commercial stage will be left to them.

The U.S. anti-trust laws may, however, preclude the corporation's members from extending their co-operation into joint product design or marketing.

The MCC next year is due to move into a new building rented from the University of Texas. Part of the corporation's strategy is to formulate close links with people in the university's engineering departments, some of whom work part-time for the research club.

Who's partnering whom in the R and D stakes

THESE ARE some of the U.S. companies collaborating research with institutes.

● Rensselaer Polytechnic in New York gained a $30m interest-free loan from the state of New York to set up a Centre for Industrial Liaison which has more than 100 contracts with companies in areas such as manufacturing automation and computer-aided graphics.

● Massachusetts Institute of Technology has set up a Microsystems Industrial Group to work on new techniques in the design and production of semiconductors. Companies with a share in the projects include DEC, General Motors, United Technologies, GTE, Harris, Raytheon and IBM. Companies contribute up to $250,000 a year.

● A group of Minnesota-based industries, including Control Data, 3M, Honeywell and Sperry, committed $6m to launch the Micro-electronics and Information Sciences Centre at the University of Minnesota. The state of Minnesota put up a further $1.2m. The projects include artificial intelligence, electronic research and computer-aided design.

● Micro-electronic Centre of North Carolina was set up with $43m from the state of North Carolina and is intended to act as a bridge beween academic researchers and electronics companies. Institutes collaborating in the venture include Duke University, North Carolina State University, and North Carolina A and T State University

● The state of Pennsylvania set up four advanced technology centres at Pennsylvania State University, Lehigh University in Bethlehem, at Pittsburgh (run jointly by Pittsburgh University and Carnegie-Mellon University) and Philadelphia (operated by Drexel University and the University of Pennsylvania). Each centre has a budget of about 9m a year.

Automated labelling made easy

AN EASY and versatile method of labelling plastic containers on an assembly line has been introduced in the UK by Automated Packaging Systems of Ledbury.

A tube-like roll of perforated polyethylene sleeves is slightly stretched and slid on to each plastic bottle. The sleeve is then mechanically separated from the roll, and it contracts, gripping the bottle.

This method has several advantages over conventional paper-labelling and plastic shrink-wrapping. No adhesive or heat is required to attach the label to the container, and the polyethylene is resistant to moisture and chemicals. And as this method is simpler, the labelling stations can accommodate several container sizes and frequent label changes.

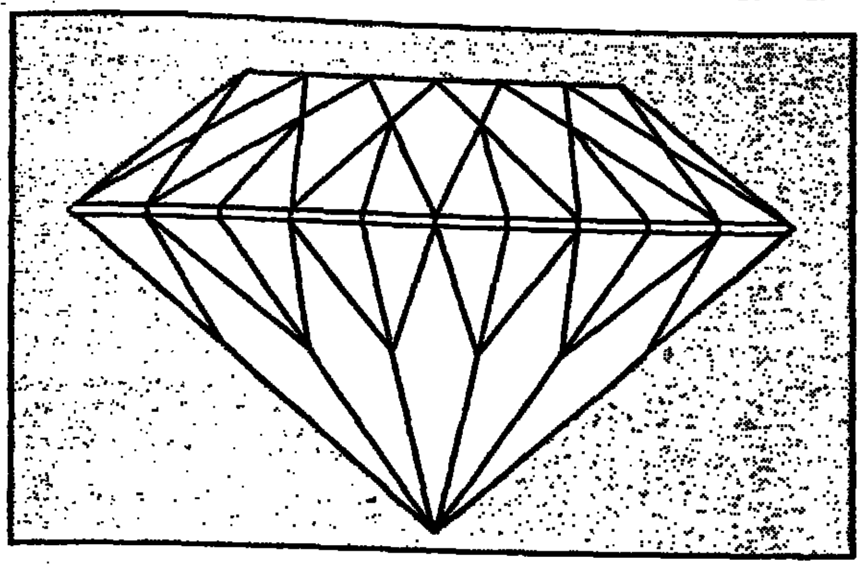
Graphics on the labels can be produced using high-quality offset gravure printing or economical flexographic printing.

This type of labelling has already been used in the U.S., where Automated Packaging Systems of Twinsburg, Ohio, introduced it.

Remote control mining valve

MINING engineers who need remote controls for gas extraction or water operations can use a new device from Rotork Controls of Bath. The company has introduced an electric valve actuator that has been accepted by the National Coal Board for underground use with remote control options. It is also computer compatible.

The actuator can be used to control directly gas or water valves, or work in conjunction with gearboxes. It is housed in a doubly-sealed, zinc-based enclosure, making it reliable under wet, dusty or other harmful working conditions.



Copies of this prospectus, having attached thereto the documents specified herein, have been delivered to the Registrar of Companies for registration.

This prospectus includes particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information with regard to Sapphire Petroleum P.L.C. ("the Company"). The Directors of the Company have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein whether of fact or of opinion. All the Directors accept responsibility accordingly.

Application will be made to the Council of The Stock Exchange for the grant of permission to deal in the Ordinary Share capital of the Company in the Unlisted Securities Market. It is emphasised that no *application has been made for these securities to be admitted to listing. It is expected that dealings will commence on 9th July, 1985.*

Sapphire Petroleum P.L.C.

Offer for Sale

by

Williams de Broe Hill Chaplin & Company Limited

of 6,000,000 Ordinary Shares of 50p each at 150p per share, payable in full on application

The application lists will open at 10.00 a.m. on 2nd July, 1985 and may be closed at any time thereafter. The procedure for application and an application form is set out at the end of this prospectus.

Directors, Secretary and Professional Advisers

Directors

John Dudley Webster, (Chairman),
10, Merrydown Way, Chislehurst, Kent, BR7 5RS.

Alfred William Fraser Wright, (Managing Director),
13, Cheyne Gardens, London, SW3 5QT.

Peter Pollard, (Technical Director),
Becket House, 4, Pilgrims Way, Guildford, Surrey, GU4 8AB.

John Lee Taylor Jnr., (US),
1725 One Dallas Centre LB-10, Dallas, Texas 75201, USA.

Mark Ian Henderson, (non-executive),
39, Winsham Grove, London, SW11 6NB.

William E. Johnson III, (US), (non-executive),
1725 One Dallas Centre LB-10, Dallas, Texas 75201, USA

Richard Henry Ringrose Latham, (non-executive),
Stowting Hill House, Ashford, Kent, TN25 6BE.

Sam Stevenson Jnr., (non-executive),
149, Pavilion Road, London, SW1X 0BJ.

Secretary and Registered Office

David John Heigham, C.A.,
Pinners Hall, Austin Friars, London, EC2P 2HS.

Office of US Subsidiaries

1725 One Dallas Centre LB-10,
Dallas, Texas 75201, USA.

Stockbrokers

Williams de Broe Hill Chaplin & *Company Limited,*
P.O. Box 515, Pinners Hall, Austin Friars, London, EC2P 2HS.

Reporting Petroleum Consultants

H. J. Gruy and Associates, Inc.,
150 West John W. Carpenter Freeway, Irving, Texas 75062, USA.

Jerry R. Bergeson & Associates, inc.,
4891 Independence Street, Suite 270, Wheat Ridge, Colorado 80033, USA.

Solicitors to Sapphire and to the Offer for Sale

McKenna & Co.,
Inveresk House, 1, Aldwych, London, WC2R 0HF.

Auditors and Reporting Accountants

Arthur Andersen & Co.,
Chartered Accountants, 1, Surrey Street, London, WC2R 2PS.

Bankers

Bank of Scotland,
P.O. Box 10, 38, St. Andrew Square, Edinburgh, EH2 2YR.

RepublicBank, Dallas, N.A.,
P.O. Box 75450, Dallas, Texas 75285, USA.

US Legal Advisers

Jones, Day, Reavis and Pogue,
2300 LTV Centre, 2001 Ross Avenue, P.O. Box 660623, Dallas, Texas 75266, USA.

Receiving Bankers

National Westminster Bank PLC,
New Issues Department,
P.O. Box 79, 2, Princes Street, London, EC2P 2BD.

Registrars

National Westminster Bank PLC,
Registrar's Department,
P.O. Box 82, 37 Broad Street, Bristol, BS99 7NH.

Definitions

Sapphire	Sapphire Petroleum P.L.C. or, where the context admits, the Sapphire Group
SPIL	Sapphire Petroleum Investments Limited
SPH	Sapphire Petroleum Holdings, Inc.
SPV	Sapphire Petroleum Ventures, Inc.
SEP	*Sapphire Exploration & Production, Inc.*
JMG	JMGL, Inc.
Subsidiaries	All of the above companies, apart from Sapphire
US Subsidiaries	SPH, SPV, SEP and JMG
JOC	Johnson Oil Company
Sapphire Group or Group	*Sapphire, the Subsidiaries and JOC*
Directors	The Directors of Sapphire
Dyne	Dyne Exploration Company
Whitmar	Whitmar Exploration Company
Murexco	Murexco Petroleum, Inc.
Chaparral	Chaparral Resources, Inc.
Bergeson	Jerry R. Bergeson & Associates, inc.
Gruy	H. J. Gruy & Associates, Inc.
The Petroleum Consultants	Bergeson and Gruy
Willbro	Willbro Oil Limited
Williams de Broe	Williams de Broe Hill Chaplin & Company Limited
$	Dollars of the United States of America

Share Capital

Authorised		Issued and now being offered for sale, fully paid or credited as fully paid
£15,000,000	- in Ordinary Shares of 50p each	£10,630,563

The Ordinary Shares now being offered for sale will rank in full for all dividends hereafter declared or paid on the Ordinary Share capital of the Company.

Indebtedness

At 12th June, 1985 the Company and its subsidiaries had a secured medium term loan facility of $3,550,000 (£2,800,789), of which $2,964,647 (£2,338,972) had been utilised by that date.

Save as aforesaid, and apart from intra-group indebtedness, on 12th June, 1985 neither the Company nor any of its subsidiaries had any loan capital (including term loans) outstanding or created but unissued or other borrowings or indebtedness in the nature of borrowings, including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, *guarantees or other material contingent liabilities (other than in the ordinary course* of business), nor at that date did any such company have outstanding any mortgages or charges.

For the purposes of these paragraphs dollar amounts have been translated to Sterling at the rate of $1.2675 to £1 being the rate prevailing as at the close of business on 12th June, 1985.

Summary of Information and Offer for Sale Statistics

The following information should be read in conjunction with the full text of the prospectus from which it has been extracted.

Petroleum Consultants' Reports
The Petroleum Consultants' Reports show estimated future net revenues and present lease values attributable to Sapphire as follows:

Gruy
(All properties except South Madden)

	Oil (Barrels '000)	*Gas (MMCF)*	*Estimated Future Net Revenues Not Discounted ($'000)*	*Discounted at 10% ($'000)*
Proved	464	4,042	15,940	11,092
Probable	223	1,666	5,222	2,503
Possible	176	3,631	11,116	6,158
	863	9,339	32,278	19,753

Leases (exploratory) 113,605 net acres. Value $3,582,000

Bergeson
(South Madden only)

	Oil (Barrels '000)	*Gas (MMCF)*	*Estimated Future Net Revenues Not Discounted ($'000)*	*Discounted at 10% ($'000)*
Case A†	594	14,856	45,090	14,477
Case B†	828	20,692	68,661	23,017

†See Section 6

Net Assets Per Share* 190p – 235p

*This range is based on the valuations contained in the reports prepared by the Petroleum Consultants the letters from whom are set out in Sections 5 and 6, and takes no account of the shares now being offered for sale or of the proceeds of the Offer for Sale.

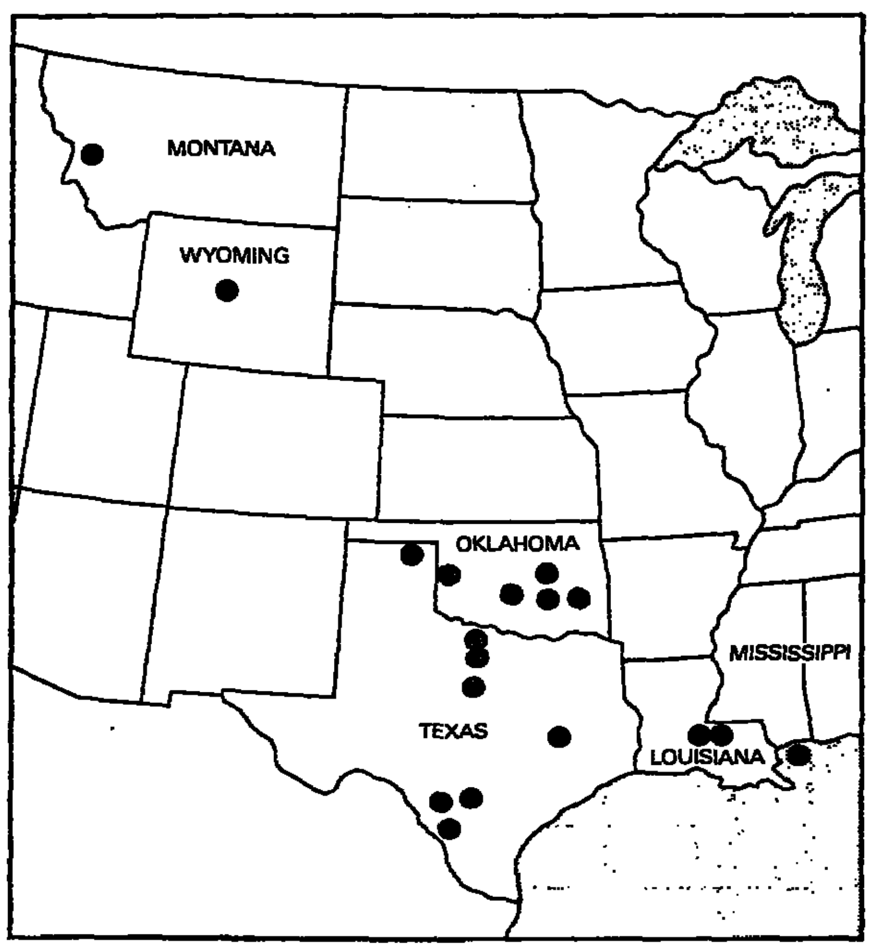
Offer for Sale Statistics

Offer for Sale price	150p
Market Capitalisation at the Offer for Sale price	£31.9m.
Estimated Net Proceeds of the Offer for Sale	£8m.
Percentage of the share capital, following the Offer for Sale, now being offered for sale.	28.2 per cent.

Application of Net Proceeds
The net proceeds of the Offer for Sale, together with Sapphire's income, will be applied principally as follows in the period to 31st December, 1986:

	($'000)
South Madden field – balance of acquisition, appraisal and development	4,450
Development of existing properties	6,013
Exploration	2,734
	13,197

● LOCATION OF SAPPHIRE'S PRINCIPAL PROPERTIES



Section 1

Introduction

Sapphire was incorporated in April, 1981 to provide investors with access to a broad spread of US oil and gas exploration and production opportunities on terms as close as possible to those available to operating oil companies. Sapphire has properties in Colorado, Louisiana, Mississippi, Montana, Oklahoma, Texas and Wyoming. As a result of *a period of successful exploration, Sapphire has begun the appraisal and development of* 16 fields or field extensions which have been discovered since June 1983. In addition, Sapphire will continue to pursue an active programme of exploration, whilst continuing its policy of maintaining a balanced range of prospects.

Sapphire has shown that it is capable of selecting prospects which lead to the discovery and development of significant reserves of oil and gas, and the Directors believe that the following factors place Sapphire in a strong position:

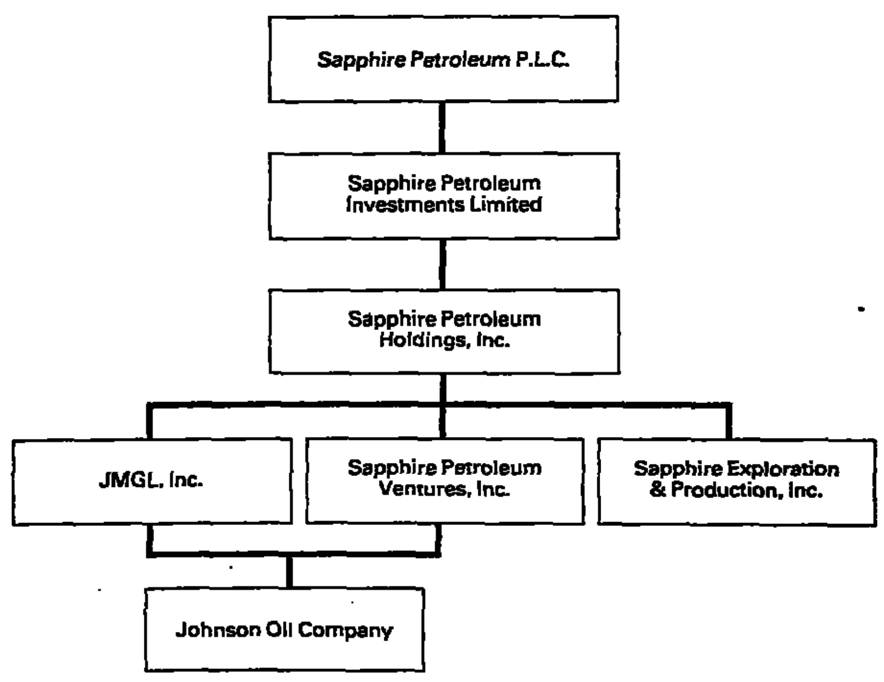
- It has interests in 113 producing wells as a result of activities to date.
- It has approximately 114,000 net acres of exploratory leases.
- It has been involved in the discovery of sixteen fields or field extensions which are now entering their development stage.
- It is a geographically and risk balanced company.
- It will have a significant cash flow from reserves which it is advised have a long life.
- It intends to invest approximately $9m by the end of 1986 on appraisal and development.
- It intends to continue to explore with a limited number of successful operators as an active financial partner on competitive terms.
- It will continue its policy of investing approximately 10% of cashflow in low cost, high risk/reward exploration.

History and Group Structure

Following Sapphire's formation in April, 1981 approximately £10.01m was raised in June, 1981 by an issue of shares to certain UK institutions and a small number of private individuals. Following a rights issue in June, 1983, a further sum of approximately £3 million was raised. These sums, net of expenses, were invested by SPH on then normal industry terms. The greater part of SPH's investments to date has been made through JOC, a Texas general partnership now wholly owned by the Group.

In addition to those projects in which Sapphire invests through JOC, which primarily comprise low and medium risk ventures, Sapphire has made a number of investments through SEP, which will continue to be used for specialised or high risk/reward investments such as those described below.

A diagram showing the present structure of the Group is shown below.



Since its inception, Sapphire has participated with 21 different operators, in the drilling of 274 wells, 132 of which were completed as producers. In the last two years, Sapphire has chosen to concentrate on the operators with whom it has been most successful and intends principally to invest with only four of the twelve operators with whom it presently participates.

In 1984, Sapphire expended $12m and participated in the drilling of 67 wells, 46 of which were completed as producers. **The Directors believe that there will be a considerable increase in reserves when development of the fields improves the data presently available to the Petroleum Consultants.**

Company Policy and Business

Sapphire's initial investment philosophy was to participate with a number of oil and gas companies, in suitable programmes devised by those companies in order to secure a prudent spread of risk and geographical location.

In view of market conditions which have changed to the benefit of investors and of Sapphire's development since its formation, Sapphire is now able to select for investment those particular projects which it regards as the most suitable, having applied its own expert risk evaluation techniques. Active participation in ensuing development enables Sapphire to control its capital expenditure in such a way as to maximise revenue and *optimise existing reserves.*

In addition to identifying and investing in oil and gas prospects, Sapphire proposes to spend approximately $6.0m in the period from the date of this prospectus to the end of *1986 the development of discoveries already made on its properties following successful* exploration. Sapphire will also commence development on the South Madden Field in Wyoming jointly with Chaparral in July 1985, as described below.

At the same time as pursuing a long term development programme, Sapphire will continue low and medium risk exploration activity and will continue to respond to new approaches it receives from operators. Furthermore, approximately 10% of Sapphire's cash flow will be committed to wildcat drilling of a low cost, high risk/reward nature on new properties (see below).

Sapphire Petroleum P.L.C.

Directors

The Directors of Sapphire are as follows:

J. D. Webster
Mr. Webster is 45, and is a Fellow of the Institute of Actuaries. He has been employed by Sun Life Assurance Society PLC for 23 years of which he has been an executive director since 1978. He is also a director of two investment trust companies and recently was appointed a lay member of the Council of The Stock Exchange. Mr. Webster became a Director on 10th June, 1981.

A. W. F. Wright
Mr. Wright is 48, and is a Member of the Institute of Chartered Accountants of Scotland. He is a Member of The Stock Exchange and a director of Williams de Broe Hill Chaplin & Company Limited, Stockbrokers, with whom he has been associated for 18 years. He has been responsible for co-ordinating and implementing the policy of the Group since its inception and has recently been appointed Managing Director of Sapphire. Mr. Wright became a Director on 11th May, 1981

P. Pollard
Mr. Pollard is 61, and is a graduate in engineering. He worked for the Shell International Petroleum Group for 33 years, mainly in Venezuela, where he became Head of Reservoir Engineering and Integrated Economics. In 1971, he returned to London where he was a Senior Planning Analyst at the Shell Group Central Office and became Planning Manager for Shell UK (Exploration and Production) Limited in 1975. Since leaving the Shell group in 1978, he has been active in oil consulting work and is a director of an independent oil consulting company, Wetherell Edwards & Company, Limited. He has been Sapphire's Technical Director since its inception. Mr. Pollard became a Director on 11th May, 1981.

J. L. Taylor Jnr.
Mr. Taylor is 30, and is a graduate of Texas Tech University. He qualified as a certified public accountant with Price Waterhouse and prior to becoming a Director of Sapphire was employed as Treasurer and Controller of the Johnson Energy Companies in Dallas, Texas. Mr. Taylor is President and Chief Executive Officer of the US Subsidiaries in Dallas, and is responsible for their day to day management. Mr. Taylor became a Director on 12th June, 1985.

M. I. Henderson
Mr. Henderson is 38, and is a graduate in business finance. Before joining Hill Samuel Asset Management Limited, with whom he has been associated for 7 years and of which he is a director, he was involved for four years in the chemical industry. He has been an Associate Member of the London Oil Analysts Group since 1980. Mr. Henderson became a Director on 13th May, 1985.

W. E. Johnson III
Mr. Johnson is 41, and is a graduate of Princeton University. He is a partner in the law firm of Johnson, Johnson & Johnson of Dallas, Texas. He has considerable experience in the US oil and gas industry, having founded several oil and gas companies, for a number of which he has acted as General or Managing Partner. He has advised both US companies and foreign investors on the US taxation laws relating to oil and gas income. Mr. Johnson became a Director on 11th May, 1981.

R. H. R. Latham
Mr. Latham is 42, and holds an MBA degree. He is the founder, Chairman, and Managing Director of Claremount Oil & Gas Limited, and is also a director of International Atlantis Resources Limited and McKinley Square, Allsopp Securities Limited, in connection with which he has been concerned with the structure, financing and management of several joint ventures between UK investors and North American oil companies. Mr. Latham became a Director on 2nd March, 1984.

S. Stevenson Jnr.
Mr. Stevenson is 52, and is a Member of the Institute of Chartered Accountants of Scotland. He is a director of C. S. Investments Limited, Investment Managers, a company which he helped to found in 1983, and before that was a Managing Director of Gartmore Investment Management Limited, with whom he was associated since its inception in 1969. Mr. Stevenson became a Director on 11th May, 1981.

Management

SPH intends to appoint a petroleum engineer to its staff in Dallas, Texas, to assist Mr. P. Pollard in monitoring and appraising the work of operators. It is not intended to employ geological staff since this usually entails geographical and conceptual limitations inappropriate to a company with Sapphire's spread of interests. Consultants in each area and with expertise of each separate prospect have been and will be used when required. The whole range of industry opportunities can thus continue to be considered and Sapphire's flexibility maintained. Whilst it is intended that Sapphire on occasion might become operator of record on certain leases to maximise financial control, the day to day lease operations will be contracted out with independent petroleum management contractors.

Sapphire maintains its registered office in London where Mr. A. W. F. Wright and Mr. P. Pollard are based. The US Subsidiaries have a small office in Dallas where day to day control is vested in Mr. J. L. Taylor Jnr., Consequently overheads are kept to a minimum.

Net Assets

In Section 4 there is set out a pro-forma consolidated balance sheet showing the net assets of Sapphire, on an historical cost basis, of £22,106,000, as adjusted for the estimated net proceeds of the Offer for Sale of £8m.

Dividends

No dividends have been paid to date as Sapphire has been developing its activities and consolidating its growth. Following the Offer for Sale, it is the intention of the Directors that the present policy of prudent reinvestment of cash flow be continued, but that a first dividend be recommended in 1987 in respect of the year ending 31st December, 1986.

Taxation

A summary of the principal taxation considerations as they affect Sapphire and its shareholders is set out in Section 9.

Any potential investor who is in doubt about his tax position should consult his own professional adviser.

Risk Factors

Oil and gas exploration and development is a speculative activity which involves a high degree of financial risk. The following are the principal risk factors which should be taken into account in assessing an investment in Sapphire:

(i) the reservoirs from which Sapphire's oil and gas reserves are presently being or are expected to be produced may not conform to expectations, with the result that the volume of reserves recovered and the rates of production may be less than anticipated;

(ii) drilling for oil and gas involves substantial risk of investment loss. The investment risk involves not only the possibility of drilling dry wells but also the possibility of drilling wells which result in the discovery of oil or gas but do not lead to production in commercial quantities;

(iii) movements in the market price or marketability of oil and gas or changes in taxation or other governmental action may result in the income received by Sapphire being adversely affected; and

(iv) the US Subsidiaries may become subject to liabilities for hazards which cannot be insured against, or against which they may elect not to insure because of prohibitive premium costs or other reasons, and may have liabilities to third parties (in excess of any insurance cover) arising from pollution or other damage or injury.

Petroleum Consultants

In connection with the Offer for Sale, Sapphire has obtained independent appraisals of the net reserves and net revenue attributable to Sapphire's producing properties and the locations in which Sapphire intends to carry out development and exploratory drilling.

Gruy has reported on all Sapphire's interests as at 1st April, 1985. Sapphire has also obtained a report from Bergeson in connection with the South Madden Field which is mentioned below and consequently has purchased an interest in that field.

The Directors have received letters, which are set out in Sections 5 and 6, from the Petroleum Consultants reporting on these interests.

Proceeds of the Offer for Sale

The proceeds of the Offer for Sale net of expenses are estimated to amount to £8m. These proceeds, together with Sapphire's income from its oil and gas interests, will be applied principally as follows in the period to 31st December, 1986:

	($'000)
South Madden field – balance of acquisition payment	1,250
Appraisal and Development — South Madden field	3,200
Development of existing properties	6,013
Exploration	2,734
	13,197

The Future

Sapphire has a balanced profile of production, a large number of fields with significant acreage awaiting development and prospects for new exploratory drilling. The successful development of these prospects is expected to contribute significantly to Sapphire's future profitability and to add considerably to reserves.

Sapphire's agreement with Chaparral to appraise and develop their large gas interests in the South Madden field should also help to secure the long-term future of Sapphire. The report prepared by Bergeson envisages the drilling of 54 wells between 1985 and 1993. This report also shows that revenue, net of all costs including capital, will rise steadily to a peak in 1993 and then decline slowly over a period exceeding the next 20 years.

Sapphire's close association with three other exploration companies of proven record, with whom it invests on very competitive terms, lead the Directors to believe that the momentum built up over the last few years will continue.

The Directors also believe Sapphire will continue to be offered and to participate in high risk reward projects. This, combined with stability of production and long life reserves, should enable Sapphire to continue its growth. In addition, opportunities for further acquisitions exist and Sapphire's experience and reputation place it in an excellent position.

Section 2

Production

Sapphire has interests with twelve operators in 113 wells from which it expects to derive an income of $2.98m in 1985 and $3.45m (out of the projected total of $6.85m shown in Section 8) in 1986 before taking account of revenue resulting from the appraisal and development of the properties discussed below. These estimates are based on average prices of $26.70 per barrel of oil and $2.46 per MCF of gas.

Appraisal and Development

Sapphire's appraisal and development expenditure will be principally concentrated on the three operators with whom it has enjoyed the greatest success, and with Chaparral with whom it has recently entered into an agreement.

Sapphire intends to spend approximately $5.5m in participating in the drilling of up to 77 wells with Murexco, Whitmar and Dyne in the period from the date of this prospectus to the end of 1986 and a further $0.5m with other operators. The Directors believe that this will prove up a significant proportion of the net probable and possible reserves currently attributed by Gruy.

The development of the Wyoming properties with Chaparral at an initial cost of up to $3.2m should start to prove up the potential reserves which are estimated by Bergeson to have a net present value of at least $14.47m.

A brief description of each of these four operators and the principal properties in which Sapphire has interests are given below.

Murexco Petroleum, Inc.

Murexco was formed in 1981 as a privately owned independent exploration and production company whose principal shareholders are management and institutions. The company explores mainly in Louisiana, Oklahoma and Texas.

Sapphire commenced operations with Murexco in 1983 and to date 38 wells have been drilled, of which 21 have been completed as producers. In 1984 eight fields were discovered which will now be developed. Potentially the largest, Bayou Tommy, was an extension of the 1983 Poydras discovery both of which are described below.

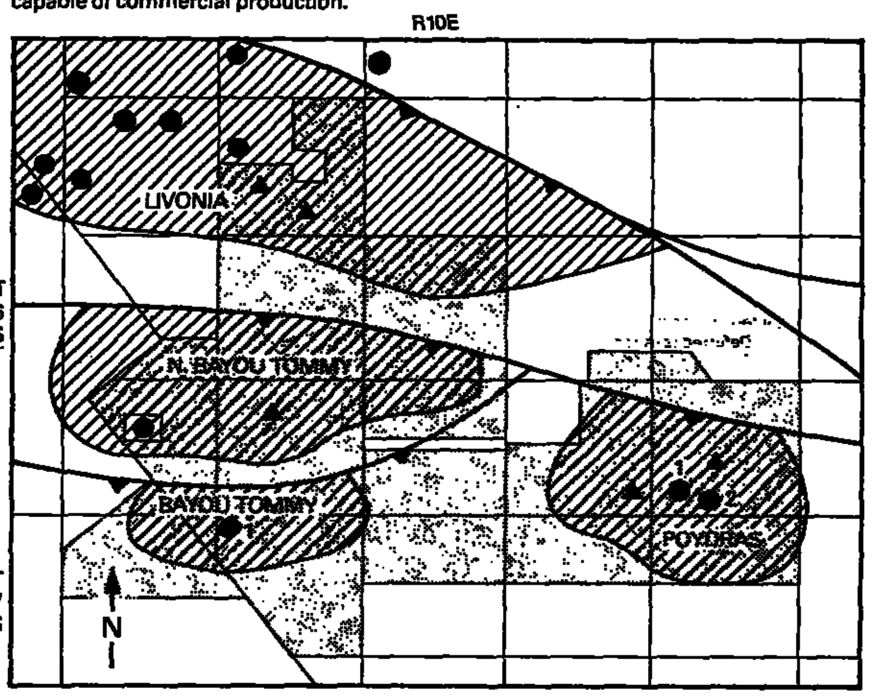
In addition to these 2 fields, Sapphire intends to develop a further 8 properties. Sapphire also intends to continue drilling selected exploratory properties with this operator.

Poydras and Bayou Tommy
History, Size and Location
Poydras and Bayou Tommy comprise a block of leases totalling 2,116 and 4,713 acres respectively in West Baton Rouge and Pointe Coupée Parishes, Louisiana. Poydras, the eastern block, is operated by Reese Oil & Gas, Ltd. and in 1983 Sapphire, through Murexco, took a 10.9% working interest in the first well before payout, reducing thereafter to an 8.9% interest. Bayou Tommy, the western block, is operated by Murexco, and Sapphire took a 16.95% working interest in 1984 in the Laws No. 1 well. Sapphire is entitled to a similar interest in all further wells on this lease. A major US oil company has interests in leases immediately east and south of this acreage on which it is presently testing one well and drilling two others.

Geology and Exploratory Drilling
The Bayou Tommy and Poydras fields are on adjacent structures of one large geological feature approximately 5 miles long and 1½ miles wide. It lies about 4½ miles east of the Fordoche field, which is structurally and stratigraphically similar and which has produced over 22 million barrels of oil and 50BCF of gas from multiple sands in the Wilcox formation of Eocene age.

On Poydras, Sapphire participated in the Intracoastal No. 1 discovery well in 1983 and a first development well, the Intracoastal No. 2, in 1984. Both wells encountered three Wilcox zones and a shallower Frio sand at about 9,600'; all logged as productive. The Intracoastal No. 1 was completed in the lowermost Wilcox zone and after initial production of 285 barrels of oil per day in May 1983, production stabilised at approximately 120 barrels per day. The Intracoastal No. 2 was completed in the middle Wilcox zone to provide wider reservoir appraisal data. This well tested 480 barrels of oil per day with 800 MCF of gas per day and is presently closed in and awaiting a gas line connection which is being expedited.

On Bayou Tommy, Sapphire participated in the drilling of the recent test well, the Laws No. 1, drilled to a depth of 13,525'. Tests are being carried out to determine whether the well is capable of commercial production.



Development
The Bayou Tommy block comprises three sub-structures separated by major faults. These are Bayou Tommy, North Bayou Tommy and Livonia. The last named is an extension of the Livonia field to the northwest which produces from the Wilcox, Cockfield and Frio formations. Cumulative production from the Livonia field is over 6.7 million barrels of oil.

The immediate programme in the Bayou Tommy/Poydras area is aimed at developing reserves in Livonia, establishing production in Bayou Tommy and North Bayou Tommy, and developing Poydras in both the Wilcox and Frio formations. Successful appraisal of this area could lead to 30 to 40 productive wells.

Reserves
Due to the immaturity of the data available, Gruy has indicated that the total reserves attributable to Sapphire in the Poydras and Bayou Tommy fields are 160,000 barrels of oil and 80 MMCF of gas. However, in view of the multiple pay sands present, the extensive prospective area still to be appraised, the performance of similar fields in the region and the advent of new improved well completion techniques, the Directors consider the potential of these fields to be very substantial.

Whitmar Exploration Company

Whitmar is a private oil and gas company based in Tulsa whose primary areas of interest are the Arkoma and Anadarko basins of Oklahoma. During the past six years, Whitmar has drilled over 300 wells, and achieved an average 66% rate of success resulting in the discovery of reserves of 18.8 million barrels of oil and oil equivalent.

Since December, 1982 Sapphire has taken a working interest in 18 projects, generally of 12.5% of Whitmar's interests, which are usually between 50% and 100% of the total interest. Of these, 8 proved productive, 9 dry and 1 redrill is pending. Two of the six fields which it is intended to develop are described below. In view of the results obtained with this operator, it is intended to continue the drilling of selected exploratory prospects.

Bracken
Whitmar has interests in about 5,719 gross acres in the Bracken and West Bracken areas of Roger Mills County, Oklahoma. Three exploration wells in the Bracken area have been completed in 3 different formations; the Bartlesville, Skinner and Red Fork. The average initial gross production rate was 134 barrels of oil per day and 1,100 MCF of gas per day per well.

The prospect consists of multi-zone stratigraphic traps in Pennsylvanian formations. The Red Fork and Oswego Lime are prolific producing formations in the area, with Red Fork wells in the South West Leedy field, 9 miles to the south, having estimated ultimate recoveries as high as 24 BCF of gas and 300,000 barrels of condensate per well. Oswego wells to the east of the prospect area have averaged over 100,000 barrels of oil per well.

Preparations are in hand to drill a Skinner offset in Bracken which will also test the Red Fork formation, to be followed by 2 Red Fork wells, and in West Bracken an Oswego well is being prepared. Additionally, at least 4 wells are foreseen in central Bracken and 5 more development wells in West Bracken.

Coalgate
Whitmar owns 1,319 net acres in the Coalgate prospect of Coal County, Oklahoma. The first well has just been drilled to 11,762' and has logged gas bearing sands in 6 different formations. This well is now being prepared for testing. Strong gas shows were encountered during drilling, particularly in the Viola formation from which an offset well produced 4 MMCF of gas per day on test.

The Viola reservoir has structurally oriented fractures induced by the major regional Choktaw fault system, and the Atoka stratigraphic traps are lenticular marine bars which are excellent reservoirs when found.

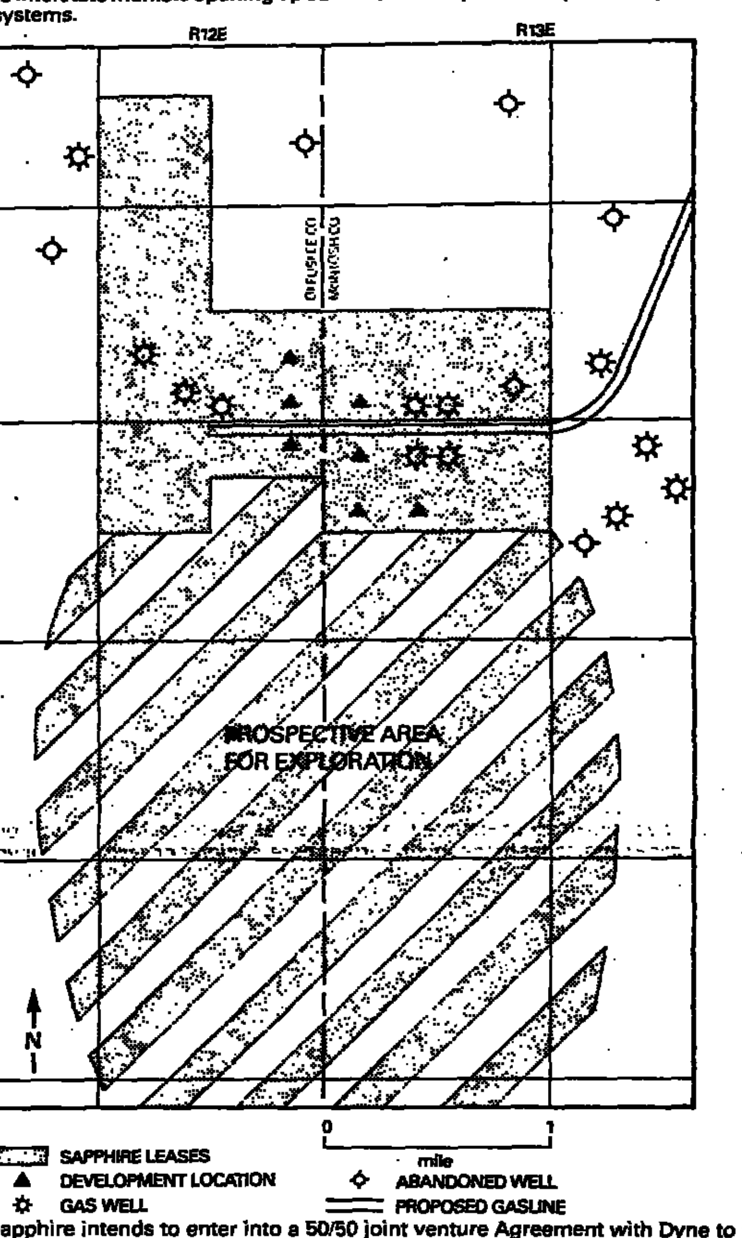
Up to 8 development wells are foreseen on this acreage, the main reservoirs being the deep Viola with potential initial production of 4 MMCF of gas per day per well and the shallower Atoka with 0.5 MMCF of gas per day per well.

Dyne Exploration Company

Dyne is a small privately owned company operating exclusively in eastern Oklahoma, with whom Sapphire has been associated since 1981.

Okfuskee and McIntosh Counties
Sapphire holds a 25% working interest in a 960 acre lease in Okfuskee County and a 20% working interest in a contiguous 640 acre block in McIntosh County. To date, 7 productive gas wells have been drilled on these leases; 2 in the Union Valley Lime at about 3,100', 1 in the Lower Gilcrease sand at 2,900' and 4 in the Shallow Calvin sand at 600'. Initial flow rates for the Union Valley and Gilcrease wells average approximately 850 MCF of gas per day and for the Shallow Calvin sand 150 MCF of gas per day.

Prior to August 1984, the Oklahoma Natural Gas (ONG) pipeline system, about 3 miles distant, would not purchase gas from Sapphire's acreage because of oversupply. In October 1984, following changes in the interstate gas market ONG began transporting gas to interstate markets opening up such markets to producers previously limited to intrastate systems.



Sapphire intends to enter into a 50/50 joint venture Agreement with Dyne to finance the construction and operation of a small pipeline gathering system to deliver gas to the ONG line. The pipeline will be owned and operated by a new joint venture between Dyne and Sapphire, which will make gas purchase agreements with individual working interest owners, including Sapphire, at the wellhead, and execute a master gas sales contract with the interstate pipeline gas buyer at the ONG tap.

A survey of the availability of gas sales contracts with interstate pipelines which interconnect with ONG, has shown that several significant markets exist for gas delivered to ONG at approximately $2.30 per MCF of gas.

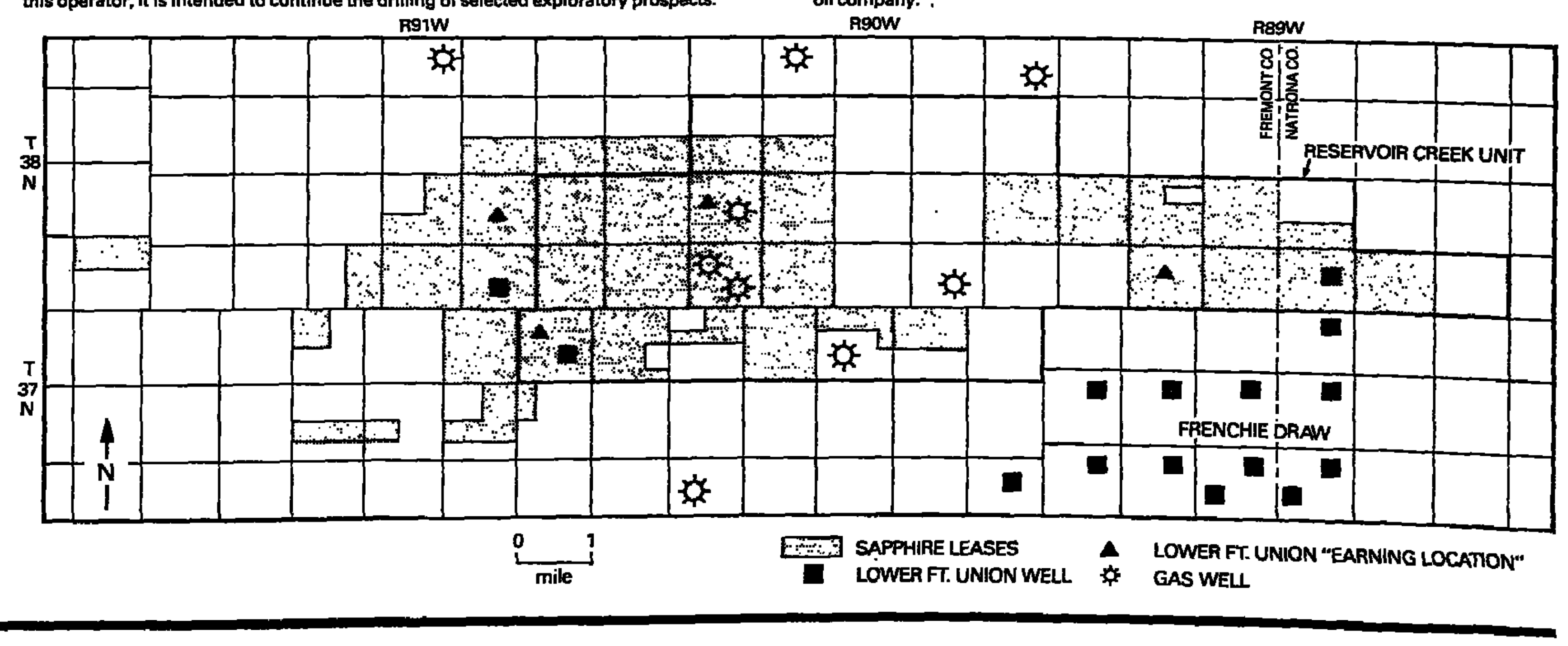
The project will cost Sapphire approximately $225,000 and it will enable the five wells which are currently shut in to be opened up to market immediately on completion of the line. Sapphire intends to participate in the drilling of seven development wells (4 Calvin, 2 Lower Gilcrease and 1 Union Valley), which would be expected to raise the average daily gross throughput of the pipeline to 3 MMCF of gas. On this basis, the line system would pay out in 16 months.

Sapphire and Dyne are pursuing the leasing of further acreage in the area as indicated on the map shown above. While expenditure of $1.73m is included in the projected cash flow to 1986 to allow for the exploration and potential development of this acreage, no amount has been included in the reserves.

Chaparral Resources, Inc.

South Madden
SPV has entered into an agreement with Chaparral, a quoted US oil and gas exploration company, jointly to appraise and develop their interests in the South Madden field, the terms and conditions of which are described in paragraph 7(c) of Section 10. The total purchase price will only become payable after satisfactorily testing the performance of the first two wells to be drilled.

The acreage in which Sapphire, subject to fulfilment of those conditions, will have an average working interest of 24% in 37 sections covering 19,070 acres, is located immediately south of the prolific Madden gas field and just north of the Frenchie Draw gas/condensate field in Fremont and Natrona Counties, Wyoming and is mainly in 2 large blocks. The area between these blocks has been purchased recently by a major quoted US oil company.



Sapphire Petroleum P.L.C.

The leases are all Federal leases and are principally within the Reservoir Creek Unit, a Federal onshore exploratory unit which Chaparral formed with approval from the US Bureau of Land Management in 1979. This ensures orderly development of the field as a whole. Chaparral is the unit operator.

Geology and Exploration

The South Madden area lies in and along the synclinal structural axis of the Wind River Basin. The depth to the top of the Lower Fort Union formation is approximately 7,500' to 8,400'. The area is flanked to the north by the Madden anticline, one of the largest producing structures in the Rocky Mountain Region, in excess of 23 miles long and 10 miles wide and to the south by a moderately dipping monocline with structural nosing at the top of the Lower Fort Union. The Frenchie Draw field, immediately adjacent to the Reservoir Creek area, produces from the Lower Fort Union.

The Lower Fort Union consists of a series of alternating sandstones, siltstones, shales and coals deposited in broad river flood plains, swamps, channels and deltas. The accumulation of hydrocarbons is controlled primarily by *stratigraphic conditions.*

The average thickness of the Lower Fort Union in this area is about 2,800' within which the average thickness of the potential paysand in the South Madden field is 340', in the Madden field 434' and in the Frenchie Draw field 335'.

In 1984, two wells were completed by Chaparral in the Lower Fort Union, one in the eastern part of the area (Reservoir Creek Unit 1-34) and one in the western part (Pony Creek Unit 1-35). Each was completed in a single sand layer, although several are present in the whole formation. The 1-34 well tested 657 MCF of gas per day and 30 barrels of condensate per day. A gas line is currently being connected to this well. From the 1-35 well, gas sales began in July 1984 and after 30 days the rate was 850 MCF of gas per day.

Reserves and Development Programme

Assuming that both Chaparral and Sapphire participate equally in all future development as provided in the agreement, Bergeson estimates that the potential production attributable to Sapphire will be in the following range:

	Gas (MMCF)	Oil (Barrels '000s)	Estimated Net Present Value: Undiscounted ($'000s)	Estimated Net Present Value: Discounted at 10% ($'000s)
Case A	14,856	594	45,090	14,477
Case B	20,692	828	68,661	23,017

The range of estimates arises because, while the volume of gas in place is generally agreed, the productive potential of each well, depending as it does on permeability and areas of drainage, is at present more difficult to determine. Both cases use the Frenchie Draw field for analogy and assume the drilling of 54 wells between 1985 and 1993. Case A is based on an average recovery of 1.8 BCF of gas per well with 15 non-completions, while Case B assumes that permeability is not uniform and that a better geological spread of wells will produce an average recovery of 2.1 BCF of gas per well with 5 non-completions. The Directors are aware of several opinions with a higher recovery per well and one that is lower.

Total gas production from South Madden is sold to Columbia Gas Transmission at $3.51 net of taxes per MCF of gas. However, with effect from 1st January, 1985, the price of gas produced in the US was deregulated. As yet, this has led to no price adjustment in South Madden.

Exploration

Sapphire will continue its policy of exploring with the above operators and will also consider other projects offered to it. No account of the results of such exploration is shown in reserves.

High risk/reward exploration

In accordance with Sapphire's policy to commit approximately 10% of its cash flow to high risk/reward ventures, Sapphire has already been granted a lease and is preparing a prospect offshore Mississippi for exploration.

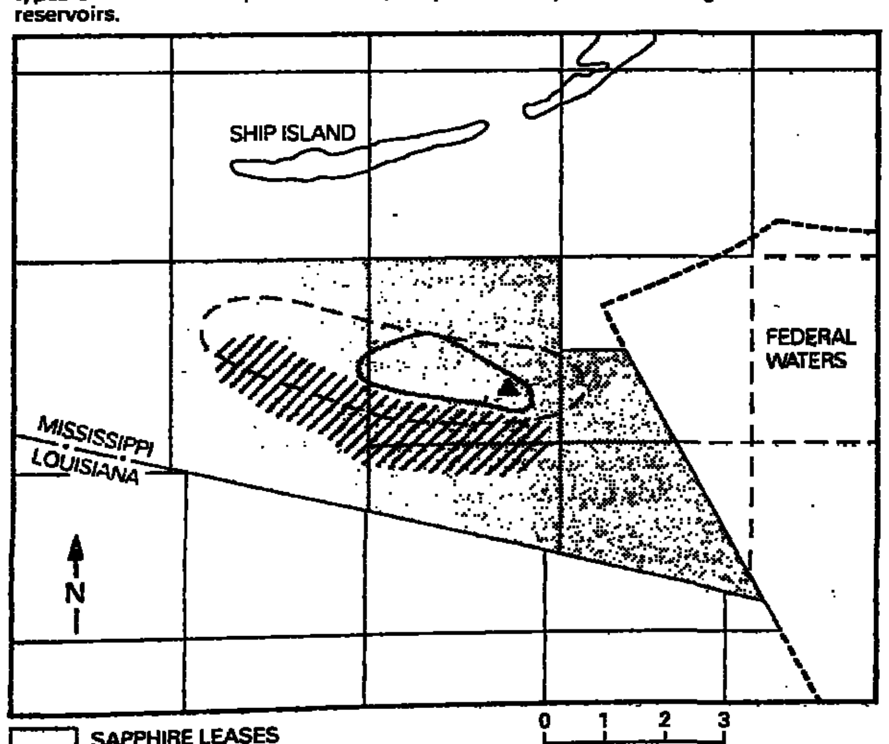
Offshore Mississippi

On 13th February 1985, Sapphire was granted a lease by the State of Mississippi ("the State") on a block of 20,307 acres approximately 15 miles offshore Harrison County, some 3 miles south of Ship Island in 35' of water in the Gulf of Mexico.

Sapphire proposes to drill a test well to a large apparent reef structure in the Oligocene Heterostegina formation which is well defined by seismic lines and hitherto undrilled. The whole feature could be 7 miles long and up to 2 miles wide according to seismic interpretation. The reef has a maximum thickness of about 600' and the projected total depth of the test well is 6,500'.

The Heterostegina ("Het") is a formation which extends from south east Texas across southern Louisiana into southern and offshore Mississippi. The eastern portion of the trend becomes very limey and exhibits the characteristics of a shallow limestone shelf.

The best known Het production to date occurs on several of the more famous piercement salt domes in the upper Texas Gulf Coast and southern Louisiana, but most of it is from Het sands, not true carbonates. The middle shelf of the carbonate platform, on which the prospect lies, has remained unexplored in this area as attention has focused on the attractive Miocene sandstones to the south. Furthermore, exploration techniques involved in exploring for carbonates differ from those normally used for evaluating sandstone formations of the Gulf Coast. The geological features often found in a middle-shelf environment are bioherms and patch reefs. These are difficult to locate, but where these types of limestone traps contain oil, they are usually ranked among the world's best reservoirs.



SAPPHIRE LEASES
EXPLORATION LOCATION
AREA OF BEST CARBONATE BUILD-UP
CREST OF STRUCTURE
DOWNLAP AND FOREREEF AREA

In addition to the main reef body of the prospect, there is also strong seismic evidence of downlapping beds, particularly to the south and west of the main structure, which may have important porosity development, as occurs in the highly productive forereef of the Mexican middle Cretaceous.

The southern boundary of the lease is the state line between Mississippi and Louisiana, the exact location of which is in dispute. However, Sapphire has been advised that the main body of the prospect lies well to the north of the disputed area.

Tenders are being sought from various petroleum management contractors to act as managers of the wildcat operation. It is estimated that the total dry hole cost will be approximately $900,000. Considerable industry interest has been shown in this project. It is the intention to sell an interest so as to leave Sapphire with a controlling interest while reducing substantially the cost to Sapphire of drilling the well.

Rocky Mountain Overthrust Belt

Sapphire has recently increased its working interest in the Willow Creek and Sapphire Mountain blocks in Granite County, Montana to 87.5% on advantageous terms. Until economic conditions for deep gas change, Sapphire has decided not to commence drilling, although extensive seismic work has been carried out and a location selected.

Section 3 – Accountants' Report

Set out below is the text of a letter addressed by Arthur Andersen & Co. to the Directors and to the directors of Williams de Broe:

The Directors
Sapphire Petroleum P.L.C.
Pinners Hall
Austin Friars
London EC2P 2HS

Arthur Andersen & Co.
1 Surrey Street
London WC2R 2PS

25th June, 1985

The Directors
Williams de Broe Hill Chaplin & Company Limited
P.O. Box 515
Pinners Hall
Austin Friars
London EC2P 2HS

Dear Sirs,

1. **Introduction**

In this report the following definitions apply:

"Company" — Sapphire Petroleum P.L.C.
"Sapphire" or "Sapphire Group" — the Company and its subsidiaries

The Company was incorporated in England on 24th April, 1981, and acts as holding company for a group of wholly-owned subsidiaries. The principal objective of the Sapphire Group is to provide UK investors with access to a broad spread of US oil and gas exploration and production opportunities.

We have examined the audited consolidated accounts of the Company and its subsidiaries from incorporation to 31st December, 1984.

The financial information set out in this report is based on the audited accounts of the Sapphire Group, which have been prepared under the historical cost convention. The information has been presented in the form required for annual accounts by the Companies Act 1981. The financial information covers the period from 24th April, 1981 to 31st December, 1981 and each of the three years ended 31st December, 1984.

In our opinion, the consolidated financial information set out in this report, which has been prepared on the basis described above, gives a true and fair view of the state of affairs of the Company and the Sapphire Group as at 31st December, 1984, and of the results and sources and applications of funds of the Sapphire Group for the periods under review.

2. **Accounting Policies**

The significant accounting policies of the Sapphire Group, which have been applied consistently in arriving at the financial information set out below, are as follows:

(i) Basis of accounting
The accounts are prepared under the historical cost convention. All appropriate intercompany transactions and balances are excluded from the consolidated accounts.

(ii) Foreign currency translation
Normal trading activities denominated in foreign currencies are recorded in sterling at the exchange rate as of the date of the transaction. Assets and liabilities denominated in foreign currencies have been translated into sterling at the rate ruling at the balance sheet date.
Differences arising on the translation of foreign currency transactions, and of assets and liabilities at the balance sheet date, have been reflected in the profit and loss account. Exchange differences arising on the re-translation of the opening net investment in subsidiary companies are reflected through reserves.

(iii) Intangible fixed assets
Non-producing leasehold costs are carried at the lower of cost or valuation; they will be transferred to oil and gas properties once exploration work has commenced. Recovery of these costs is dependent upon successful exploration for, and development of, oil and gas.

(iv) Tangible fixed assets
Oil and gas properties are accounted for on the "full cost" basis, whereby all costs of exploration for and development of oil and gas reserves are capitalised as incurred and depleted over total estimated proved reserves on a unit-of-production basis. Additional depletion is provided if necessary to write-down the full cost pool to the estimated present value of the oil and gas reserves.

(v) Turnover
Turnover comprises the value of sales of oil and gas produced in the year.

(vi) Taxation
Corporation tax payable is provided on taxable profits at the current rate.
Deferred taxation represents the amount required to allow for the effect of income and expense (primarily interest) being attributable for tax purposes to periods different from those in which credits and charges are recorded in the accounts, and is computed using the liability method.

3. **Profit and Loss Account**

The consolidated results of the Sapphire Group for the period ended 31st December, 1981 and the three years ended 31st December, 1984 are set out below:

	Notes	Period ended 31st December 1981 £'000	Years ended 31st December 1982 £'000	1983 £'000	1984 £'000
Turnover	(i)	3	317	1,104	2,611
Cost of sales					
Depletion		—	(263)	(780)	(2,027)
Operating costs		—	(124)	(278)	(753)
US production taxes		—	(15)	(62)	(145)
	(i)	—	(402)	(1,120)	(2,925)
Gross profit (loss)		3	(85)	(16)	(314)
Additional depletion	(i) and (ii)	(720)	(1,558)	—	(3,741)
Interest income, net		566	805	492	172
Exchange gains		134	604	622	1,765
Administrative expenses	(iii)	(56)	(182)	(327)	(417)
Profit (loss) on ordinary activities before taxation		(73)	(336)	771	(2,535)
Taxation	(iv)	(147)	(264)	(226)	(397)
Profit (loss) after taxation		(220)	(600)	545	(2,932)
Accumulated deficit at beginning of period		—	(220)	(820)	(275)
Accumulated deficit at end of period		(220)	(820)	(275)	(3,207)

Notes:

(i) All the turnover, cost of sales and additional depletion arose in the US.

(ii) Additional depletion represents amounts written off in order to reduce capitalised exploration and development costs to the estimated present value of the oil and gas reserves. In 1984, the Sapphire Group expended approximately £8,500,000 on oil and gas exploration and development. Little value can be ascribed to this expenditure by independent engineers until further drilling has taken place. Accordingly, the Directors have deemed it prudent to write off a proportion of this expenditure.

(iii) Administrative expenses include the following:

	1981 £'000	1982 £'000	1983 £'000	1984 £'000
Directors' remuneration	5	8	9	18
Auditors' remuneration	5	15	15	15
Depreciation of tangible fixed assets	—	—	—	2

In addition, fees of approximately £25,000 were charged for geological services rendered to a group company by a company in which a Director has an interest.

(iv) Taxation expenses comprise:

	1981 £'000	1982 £'000	1983 £'000	1984 £'000
United Kingdom				
Deferred taxation	95	232	126	340
Current taxation	52	—	64	10
United States				
Windfall profit tax	—	32	36	47
	147	264	226	397

The UK tax charges are computed at statutory rates. Deferred taxation arises on notional interest income accruing on unsecured loan notes; the charge for 1983 is stated net of taxation credit of £86,000 representing the effect of tax rate changes arising from the Finance Act 1984.

For the purposes of US Income Tax, at 31st December, 1984, the Sapphire Group had a carryforward net operating loss of approximately $10 million.

(v) No dividends have been declared or paid since incorporation.

4. **Source and Application of Funds**

The consolidated statements of source and application of funds of the Sapphire Group for the period ended 31st December, 1981 and the three years ended 31st December, 1984 are set out below:

	Period ended 31st December 1981 £'000	Years ended 31st December 1982 £'000	1983 £'000	1984 £'000
Source of funds				
Profit (loss) after taxation	(220)	(600)	545	(2,932)
Add items not involving the movement of funds				
depreciation and depletion	—	263	780	2,027
additional depletion	720	1,558	—	3,741
deferred taxation	95	232	126	340
Funds from operations	595	1,453	1,451	3,176
Issue of shares, net of expenses	9,022	—	3,586	—
Issue expenses	—	—	—	(6)
Decrease in working capital, as shown below	—	1,599	153	5,557
	9,617	3,052	5,190	8,727
Application of funds				
Tangible fixed assets	1,318	3,765	5,262	8,001
Intangible fixed assets	1,072	10	—	578
Foreign exchange adjustments	72	(723)	(72)	148
Increase in working capital, as shown below	7,155	—	—	—
	9,617	3,052	5,190	8,727
Increase (decrease) in working capital				
Debtors	338	169	1,290	(1,164)
Creditors	(59)	(53)	(77)	(237)
Movement in net liquid funds				
cash and short-term deposits	6,879	(1,718)	(1,366)	(3,527)
bank overdraft	(3)	3	—	(629)
	7,155	(1,599)	(153)	(5,557)

Note:

The issue of shares in 1981 was made to capitalise the Company and to provide funds for the initial investment programme.

The issue of shares in 1983 comprised the net proceeds of the rights issue amounting to £3,017,000 and the consideration of £569,000 for the acquisition of AFE and BAO as follows:

	£'000
Oil and gas properties	205
Cash	364
	569

5. **Balance Sheets**

The balance sheet of the Company and the consolidated balance sheet of the Sapphire Group as at 31st December, 1984 are set out below:

	Notes	Consolidated 31st December 1984 £'000	Company 31st December 1984 £'000
Fixed assets			
Tangible assets	(i)	10,513	4
Intangible assets		2,366	—
Investments	(ii)	—	3,527
		12,879	3,531
Current assets			
Debtors	(iii)	633	9,051
Cash at bank and in hand		268	224
		901	9,275
Creditors: amounts falling due within one year	(iv)	(1,055)	(81)
Net current assets (liabilities)		(154)	9,194
Total assets less current liabilities		12,725	12,725
Provisions for liabilities and charges	(v)	(793)	(793)
Net assets		11,932	11,932
Capital and reserves			
Called up share capital	(vi)	6,944	6,944
Share premium account		5,658	5,658
Translation reserve	(ii)	2,537	2,537
Revaluation reserve	(ii)	—	(4,714)
Retained earnings (accumulated deficit)		(3,207)	1,507
Total capital employed		11,932	11,932

Notes:

(i) Tangible fixed assets comprise:

	Cost £'000	Depreciation and depletion £'000	Net book value £'000
(a) Consolidated			
Oil and gas properties	22,103	11,594	10,509
Fixtures and fittings	6	2	4
	22,109	11,596	10,513
(b) Company			
Fixtures and fittings	6	2	4

(ii) Investments:
The investment in subsidiaries is accounted for in the Company accounts under the equity method, whereby the original cost of the investment is adjusted for changes in the underlying value of the net assets with a corresponding credit or charge to the revaluation reserve. The Company had the following subsidiaries (all of which were wholly-owned) at 31st December, 1984:

Company	Country of Incorporation	Year of incorporation or acquisition
Sapphire Petroleum Investments Limited	England	1981
Sapphire Petroleum Holdings, Inc.	USA	1981
Sapphire Petroleum Ventures, Inc.	USA	1981
Sapphire Exploration & Production, Inc.	USA	1981
Austin Friars Energy Limited	British Virgin Islands	1983
British American Oil Limited	British Virgin Islands	1983

The investment in subsidiaries comprises:	£'000
Cost of investment	5,704
Surplus arising on re-translation of opening net investment in subsidiaries	2,537
Decrease in consolidated net assets of subsidiaries since incorporation	(4,714)
	3,527

(iii) Debtors comprise:

	Consolidated £'000	Company £'000
Amounts falling due within one year		
Trade debtors	416	—
Drilling contract advances	214	—
Other debtors	3	3
Notes receivable from subsidiary	—	1,486
Amounts due from subsidiary	—	677
	633	2,166
Amounts falling due after more than one year		
Notes receivable from subsidiary	—	6,885
	633	9,051

Notes receivable from subsidiary comprise non interest-bearing, unsecured loan notes, issued by Sapphire Petroleum Holdings, Inc. on 3rd August, 1981 and 14th November, 1983 and maturing as follows:

Principal £'000	Issue price £'000	Maturing on	Notional interest accrued to 31st December, 1984 £'000	Book value at 31st December, 1984 £'000
(a) Issued on 3rd August, 1981				
1,500	948	3rd February, 1985	538	1,486
1,500	831	3rd February, 1986	471	1,302
1,500	729	3rd February, 1987	413	1,142
1,500	639	3rd February, 1988	362	1,001
6,000	3,147		1,784	4,931
(b) Issued on 14th November, 1983				
2,000	1,786	3rd February, 1989	142	1,328
2,000	1,073	3rd February, 1990	129	1,202
1,675	814	3rd February, 1991	96	910
5,675	3,073		367	3,440
11,675	6,220		2,151	8,371
			Amounts falling due within one year	1,486
			Amounts falling due after more than one year	6,885

(iv) Creditors falling due within one year comprise:

	Consolidated £'000	Company £'000
Bank loan	629	—
Trade creditors	357	12
UK Corporation Tax payable	69	69
	1,055	81

As at 31st December, 1984, the Sapphire Group had unsecured revolving credit facilities of up to $1.2 million (see paragraph 6(iv)).

(v) Provisions for liabilities and charges in the consolidated and Company balance sheet comprise UK deferred taxation attributable to timing differences arising on notional interest income accruing on unsecured loan notes.

(vi) At 31st December, 1984, the share capital of the Company comprised:

	£'000
Authorised:	
15,000,000 Ordinary Shares of 50p each (see paragraph 6(i))	7,500
Allotted, called up and fully-paid:	
13,887,625 Ordinary Shares of 50p each (see paragraph 6(i))	6,944

(vii) At 31st December, 1984, the capital commitments of the Sapphire Group were approximately:

	£'000
Contracted for	2,008
Authorised but not contracted for	1,708
	3,716

6. **Post balance sheet events**

(i) Share Capital
At an Extraordinary General Meeting of the Company on 12th June, 1985, the authorised share capital was increased to £15,000,000 by the creation of 15,000,000 new Ordinary Shares of 50p each.

Also on 12th June, 1985, the Company issued an additional 1,373,500 Ordinary Shares in order to acquire the entire issued share capital of JMGL, Inc., a management company incorporated in the US. The shares were issued at £1 each and credited as fully paid.

(ii) Acquisition of JMGL, Inc., and amendment of partnership agreement with Johnson Oil Company.
Since 1981, the Sapphire Group has invested in oil and gas projects through the Johnson Oil Company General Partnership ("JOC").

In 1985 the Sapphire Group's structure, and the agreement constituting JOC, were amended such that a newly-incorporated wholly-owned subsidiary, JMGL, Inc., became the Managing Partner of JOC in place of the existing Managing Partners, who were Johnson Management Group Ltd. ("JMGL"), which held a 9% interest in JOC, and Johnson Energy International Inc. ("JEI"). The former partners of JMGL transferred their interests in JMGL to JMGL, Inc. in exchange for ordinary shares. In turn, these shares were sold to the Company in consideration of the issue of 1,373,500 Ordinary Shares by the Company, as noted above.

In addition, JEI ceased to be a partner of JOC, and the administrative functions formerly carried out by JEI have been assumed by Sapphire Petroleum Ventures, Inc. ("SPV").

Accordingly, the partners of JOC are now SPV and JMGL, Inc., both of which are wholly-owned subsidiaries of the Company.

(iii) Acquisition of oil and gas properties
In 1985, SPV entered into an agreement to purchase certain interests in oil and gas properties from Chaparral Resources, Inc. for a total consideration of $2.6 million payable as follows:

(a) $350,000 in cash. This payment has been made, and is non-refundable.

(b) $1,250,000 in cash, within twenty-one days of the sale of shares in the Company to the public, but no later than 30th September, 1985. Of this amount $500,000 is to be placed in escrow and may be refunded in whole or in part should drilling results from the first two wells fall short of certain defined limits.

(c) $1,000,000 in Ordinary Shares of the Company, subject to the conditions in (b) above. The number of shares to be issued is dependent upon the issue price and the exchange rate ruling on the day before the Offer for Sale.

Subject to the completion of the Offer for Sale, SPV is obligated to drill 4 wells, at an estimated cost of $800,000 each.

Also in 1985, Sapphire provided a letter of credit for $740,000 to secure its obligation to drill a well on an offshore Mississippi lease. It is estimated that the cost of drilling this well will be $900,000. Sapphire is currently seeking a partner to share in the exploration and subsequent development of this prospect.

(iv) Bank borrowings
In 1985, the existing revolving line of credit was replaced by a facility of $3,550,000 ("the borrowing base"), the amount to be reduced monthly in equal amounts for twenty-four months, bearing interest at prime plus 1½% and payable quarterly. Repayment of principal is required to be made in monthly instalments in such amounts as are required to reduce outstanding debt to the borrowing base. The agreement also requires a commitment fee to be paid equal to 0.5% of the unused borrowing base.

The borrowing base is determined semi-annually by the bank by reference to the net present value of the estimated future net cash flow from proved producing reserves. The debt is secured by charges over production revenue from oil and gas properties, $200,000 of cash deposited at the bank and the Company's shareholdings in its subsidiaries.

(v) Dissolution of AFE and BAO
In 1985, AFE and BAO were dissolved, and their assets transferred to SPV.

(vi) Related party transaction
With effect from 1 July, 1985, Williams de Broe Hill Chaplin & Company Limited are to receive a fee of £40,000 per annum for the provision of administrative and other services.

7. **Audited accounts**

(i) The financial information concerning the Company and its subsidiaries contained in this report does not amount to full accounts within the meaning of section 11 of the Companies Act 1981. Full accounts of the Company and its UK subsidiary have been delivered to the Registrar of Companies for each of the three financial periods to 31st December, 1983. Full accounts of the Company and its UK subsidiary in respect of the year ended 31st December, 1984 are expected to be delivered shortly to the Registrar of Companies. We have made a report under section 14 of the Companies Act 1967 in respect of each relevant set of accounts and each such report (with the exception of the reports of the Company and its UK subsidiary for the year ended 31st December, 1984, which were not qualified) was qualified as to the recovery of capitalised exploration costs relating to leases under exploration where the realisation of the costs was dependent on the discovery of commercially recoverable oil and gas reserves. Due to subsequent discoveries, these qualifications are not repeated in this report.

(ii) Audited accounts of the Company have not been prepared in respect of any period subsequent to 31st December, 1984.

Yours faithfully,

ARTHUR ANDERSEN & CO.,
Chartered Accountants

Sapphire Petroleum P.L.C.

Section 4 – Pro-forma Balance Sheet

The following is a pro-forma consolidated balance sheet of Sapphire based on the audited accounts at 31st December, 1984 and after taking into consideration the estimated net proceeds of the Offer for Sale, the acquisition of JMG and the acquisition of certain oil and gas interests from Chaparral:

	£'000
Fixed assets	
Tangible assets	13,967
Intangible assets	2,366
	16,333
Net current assets	
Cash	6,359
Debtors	633
Creditors	(426)
Net current assets	6,566
Provisions for liabilities and charges	(793)
Net assets	22,106
Capital and reserves	
Share capital	10,898
Share premium	11,878
Translation reserve	2,537
Accumulated deficit	(3,207)
Total capital employed	22,106

Basis of preparation

1. The pro-forma consolidated balance sheet is based on the consolidated balance sheet at 31st December, 1984 as shown above adjusted for the following:
   (a) the proceeds of the Offer for Sale, net of expenses, estimated at £8,000,000;
   (b) the shares issued on the acquisition of JMG (see paragraph 6(i) of Section 3);
   (c) the cash paid and shares issued on the proposed acquisition of certain oil and gas properties from Chaparral, assuming that all conditions are satisfied (see paragraph 6(iii) of Section 3); and
   (d) the repayment of the bank loan.
2. Transactions subsequent to 31st December, 1984 which are denominated in US dollars have been translated into sterling at £1 = $1.25.

Section 5 – Report from Gruy

Set out below is the text of a letter received by the Directors from Gruy:

The Directors
Sapphire Petroleum Holdings, Inc.
1725 One Dallas Centre
Dallas,
Texas 75201

150 West John W. Carpenter Freeway,
Irving,
Texas 75062,
USA

June 3rd, 1985

Gentlemen: .

As requested by your board of directors, we have estimated reserves and future revenue attributable to interests owned by Sapphire Petroleum Holdings, Inc. (Sapphire) in certain oil and gas properties located in Colorado, Louisiana, Oklahoma and Texas. Revenue projections were made with no escalation of product prices and costs. In addition, we have evaluated Sapphire's interests in certain exploratory leasehold acreage in Louisiana, Mississippi, Montana, Oklahoma and Texas.

As of April 1st, 1985, we estimate the net reserves and future net revenue attributable to Sapphire's interests to be:

	Estimated Net Reserves		*Estimated Future Net Revenue*	
Reserve Category	*Oil (Barrels)*	*Gas (Mcf)*	*Not Discounted*	*Discounted at 10%*
Proved Producing	331,883	1,869,967	$8,637,650	$7,643,706
Proved Nonproducing	1,216	91,590	107,154	90,462
Proved Behind – Pipe	39,465	1,044,559	3,209,771	1,828,299
Total Proved Developed	372,564	3,006,116	12,954,575	9,562,467
Proved Undeveloped	91,462	1,035,808	2,985,115	1,529,843
Total Proved	464,026	4,041,924	15,939,690	11,092,310
Total Probable	222,905	1,665,870	5,221,892	2,503,369
Total Possible	176,221	3,631,504	11,116,551	6,157,640
Total All Categories	863,152	9,339,298	$32,278,133	$19,753,319

The estimated future net revenue shown is that which will be realized from the sale of the estimated oil and gas reserves after deduction of ad valorem taxes, production and windfall profit taxes, operating costs and estimated required capital expenditures. No deductions have been made for general corporate overhead or income taxes. It has been assumed the windfall profit tax phase-out period will begin January 1st, 1991. Discounted future net revenues were calculated using ten per cent. discount factors, compounded annually, and are not represented to be fair market value. The estimated reserves and revenues are based on individual well projections and do not include salvage values or abandonment costs.

The estimated reserves and revenue by operator are as follows:

	Estimated Net Reserves		*Estimated Future Net Revenue*	
Operator	*Oil (Barrels)*	*Gas (Mcf)*	*Not Discounted*	*Discounted at 10%*
Dyne Exploration Company	1,026	1,021,102	$983,185	$643,690
Murexco Petroleum, Inc.	392,516	3,548,162	14,579,013	8,654,127
Whitmar Exploration Company	202,604	3,493,422	10,484,155	5,602,199
Sapphire Petroleum Ventures, Inc.	132,540	433,948	2,796,587	2,204,309
Others	134,466	842,664	3,435,193	2,648,994
Total	863,152	9,339,298	$32,278,133	$19,753,319

The above figures include reserves of different reserve categories which have not been risk adjusted.

Sapphire also owns interests in 138,147 gross acres (113,605 net acres) of exploratory oil and gas leases located in Louisiana, Mississippi, Montana, Oklahoma and Texas. It is our opinion that as of April 1st, 1985, the Sapphire interests in these leases had a value of approximately $3,582,000. Net acres are the gross acres multiplied by the Sapphire working interests. The value is based on the current lease values in the areas where the prospects are located. A substantial portion of the acreage value is in Harrison County, Mississippi, and Granite County, Montana.

The reserve estimates and production rate projections summarized in this report are based on detailed geologic and engineering studies. Where sufficient data are available, reserve estimates and rate projections for the producing properties have been based on the extrapolation of established performance trends. Reserves for nonproducing properties have been estimated from volumetric calculations or by analogy to similar properties and corresponding rate projections were made consistent with current producing rates and performance of comparable wells.

As used in this report developed reserves are the estimated quantities of crude oil, condensate, natural gas liquids and natural gas which are recoverable from existing wells with present operating conditions. Developed reserves include producing, completed waiting on market and behind-pipe reserves. Developed behind-pipe reserves are in reservoirs behind the casing in existing wells and are considered proved either by production from other wells in the field, by tests or by core analysis in certain instances. Developed behind-pipe reserves require only moderate expense for completion and recovery.

Undeveloped reserves are those reserves of hydrocarbons which are estimated to be recoverable from wells yet to be drilled or from behind-pipe zones not considered proved and which would require major expenditures for completion, testing and recovery. Undeveloped reserves in this report are classified as proved, probable and possible.

Proved reserves are those which have been proved to a high degree of certainty for commercial production by reason of actual production or successful testing. Proved reserves are defined areally by reasonable geologic interpretation of structure and known continuity of oil- or gas-saturated reservoir rock. Proved undeveloped reserves are those proved reserves on undrilled acreage or from existing wells where relatively major expenditures are required to recover the additional proved reserves. In this report proved reserves on undrilled acreage are limited to drilling units which are direct offsets to proved developed units and which have a high probability of production when drilled.

Probable reserves are those which are defined by less direct well control than proved reserves, but which are based on evidence of producible oil or gas within the limits of the structure or reservoir above known or inferred water saturation. In this report probable reserves are limited to drilling units which are "second offsets" or "step outs" to proved developed units.

Possible reserves are those less well-defined by structural control than probable reserves and which may be based largely on electrical log interpretation and widespread evidence of oil or gas saturation. In this report possible reserves are limited to those drilling units which are no greater than three locations away from proved developed reserves.

Probable and possible reserves have progressively higher degrees of risk involved than proved reserves. The degree of risk is influenced by economic and technological factors as well as the time element. The estimated reserves and revenues presented in this report for probable and possible reserve classifications have not been risk adjusted to make them comparable to proved reserves. The extent to which these reserves ultimately may be reclassified as proved is dependent on future drilling, testing and well performance.

It should be noted that there can be no assurance that the quantities of oil and gas classified herein as "reserves" will ultimately be recovered. The accuracy of reserve estimates depends on the quantity and quality of geologic data, production performance and reservoir engineering data, as well as the judgmental interpretation of such data. The reserve estimates presented in this report should be viewed with the understanding that reservoir performance subsequent to the date of the estimates may justify their revision and that, as a general rule, early reserve estimates based on volumetric analysis or analogy are less reliable than those based on lengthy production performance.

Data such as extent and character of ownership, reversions, product prices, test and production data, operating costs and well-costs which were furnished by Sapphire, Johnson Energy Companies and the various operators of the properties have been accepted as represented. Except for the properties previously operated by Arenas Petroleum in Archer and Young Counties, Texas, no field inspections, well tests or audits of operating expenses were conducted by H. J. Gruy and Associates, Inc. personnel in conjunction with this study.

If investments or business decisions are to be made in reliance on these estimates by anyone other than our client, such person with the approval of our client is invited to visit our offices at his expense so that he can evaluate the assumptions made and the completeness and extent of the data available on which our estimates are based.

Any distribution or publication of this report or any part thereof must include this letter in its entirety.

Yours very truly,

H. J. GRUY AND ASSOCIATES, INC.

Section 6 – Report from Bergeson

Set out below is the text of a letter received by the Directors from Bergeson:

The Directors,
Sapphire Petroleum Holdings, Inc.
1725 One Dallas Centre,
Dallas,
Texas 75201

4891 Independence Street,
Suite 270,
Wheat Ridge,
Colorado 80033,
USA

June 3rd, 1985

Re: Reservoir Creek Evaluation
Township 38-39 North,
Range 89-90-91 West,
Fremont County, Wyoming

Gentlemen:

At your request Jerry R. Bergeson & Associates (JRBA) has evaluated the Reservoir Creek Prospect located generally in Township 38 North, Range 89-90-91 West, Fremont County, Wyoming with respect to the potential production from the Lower Fort Union formation. The effective date of this evaluation is June 1st, 1985. This letter summarizes the results and methodology of the evaluation. A detailed discussion of the evaluation may be found in the report prepared by JRBA on this property dated June 3rd, 1985.

Summary

The following is a summary of the potential production and estimated net present value of Sapphire Petroleum PLC's interest in the potential production of the Reservoir Creek Prospect, Fremont County, Wyoming. All values are expressed in US dollars.

	Net to Sapphire Petroleum PLC's Interest			
			Estimated Net Present Value	
	Gas (MMCF)	*Oil (MBO)*	*Undisc. ($M)*	*Disc. at 10% ($M)*
Case A	14,856	594	45,090	14,477
Case B	20,692	828	68,661	23,017

Economic Methods

The economic analysis utilized JRBA's in-house computer model using initial investment costs provided by Sapphire Petroleum PLC. The scenario for oil and gas pricing and operating costs was run on constant pricing throughout the life of the project. Operating cost of $3,000 per well per month with an estimated cost of $800,000 per completed well were used in the economic analysis. A gas price of $3.51 per Mcf net of taxes and an oil price of $27.00 per barrel was used. State severance and ad valorem taxes were estimated at 13% and windfall profits tax was calculated based on JRBA's understanding of the windfall profits tax.

Methodology

1. An evaluation including ultimate recovery, production forecasts and before income tax revenue projections were made by JRBA for the Reservoir Creek Prospect, Fremont County, Wyoming by using the Franchie Draw Field for analogy. The production performance of the wells in Franchie Draw Field was used to estimate a range of potential production from the Reservoir Creek Unit. The range of the potential value of the Reservoir Creek Field was evaluated by using two cases. Case A is based on an estimated average recovery per well of 1.8 Bcf. 1.8 Bcf is the median value of the cumulative recoveries of Franchie Draw wells as of January 1st, 1985. Case A estimated 54 wells would be drilled between 1985 and 1993. A provision was made for 15 non-completions during this development program in estimating the cash flow projections. Case B utilized an average recovery per well of 2.1 Bcf. This was based on the Franchie Draw Field production with 25% of the wells averaging a recovery of 0.7 Bcf, 50% averaging a recovery of 1.8 Bcf, and 25% averaging a recovery of 4.1 Bcf. The case B scenario also assumed 54 wells would be drilled but only 5 non-completions would be encountered.
2. Revenue forecasts were carried out on a before-income tax basis. Provision was made for severance, ad valorem and windfall profits tax as presently applicable. For windfall profits tax purposes, Sapphire Petroleum PLC was assumed to be an independent producer subject to lower tax rates.
3. Acreage values were not assigned to the non-producing or undeveloped lands.
4. Pertinent data such as well data, production information, extent and nature of ownership and burdens and other factual data were supplied by either Chaparral Resources, Inc., Sapphire Petroleum PLC, or obtained from public sources and were accepted as presented. The effective date of this study is June 1st, 1985.
5. No onsite inspection was made nor was deemed necessary to evaluate this prospect.

Although commercial production from deeper formations, i.e. Lance, Sussex and Shannon, is present in offsetting fields, these zones were not included in this evaluation. Existing well logs indicate that these intervals are present under the acreage evaluated, and may be potentially productive.

Statement of Risk

The accuracy of reserve and economic evaluations are subject to uncertainty. The magnitude of this uncertainty is generally proportional to the quality and quantity of data available for analysis. As a well matures and new information becomes available, provisions may be required which either increase or decrease the previous reserve assignments. Sometimes these may result not only in a significant change to the reserves and value assigned to a property, but may also impact the total company reserve and economic status. The reserves and forecast contained in this report are based on technical analysis of the available data using accepted engineering principles. However, it must be accepted with the understanding that further information and future reservoir performance subsequent to the date of this estimate may justify additional revision.

The potential production estimate was based on analogy to the Franchie Draw Field located southeast of the Reservoir Creek Prospect. The Reservoir Creek Unit has two wells which have been tested and for which well logs exist. These wells appear to be similar to Franchie Draw wells adding credibility to the use of Franchie Draw as an analogous reservoir. The Franchie Draw wells have recoveries which range from 300 MMcf to 8,600 MMcf. If the Reservoir Creek Unit does not encounter wells with recoveries in excess of 2,000 MMcf as were found in Franchie Draw, the potential production and resulting cash flows for Reservoir Creek may be substantially reduced. Any estimate is especially subject to uncertainty when analogy is applied.

JRBA expresses no opinions and makes no representations as to questions of legal interpretation, accounting interpretation, or as to the sufficiency for your purposes of our procedures discussed herein. Furthermore, the reader should be aware that there are certain inherent risks involved with oil and gas well exploration, drilling and completion and that no assurance is given as to the success of drilling or completing any well or the economic return from possible production. Reserve estimates and cash flow forecasts shown herein are not intended as a recommendation to drill specific locations.

Neither JRBA nor its employees have any interest in this property, Sapphire Petroleum PLC, or Chaparral Resources, Inc.

Very truly yours,

JERRY R. BERGESON & ASSOCIATES, INC.

Section 7 – Glossary of Terms

The following is a glossary of the principal technical terms as used in this prospectus.

Appraisal Drilling	An intermediate phase between the first exploration well and development drilling. This phase often delineates the extent of a field but is not necessarily required on all projects.
Attributable Barrels	Those barrels of oil produced from any lease to which the holders of an interest are entitled by virtue of their interest in that lease.
Barrel	One barrel of oil equals 42 US gallons.
Barrels of Oil Equivalent	Approximately 10 MCF of gas are equivalent, in terms of cash value currently available to Sapphire, to one barrel of oil.
BCF	A billion (thousand million) cubic feet.
Bioherm	A lens-like rock body of organic origin within rocks of different lithology.
Carried Working Interest	An agreement under which one party (the carrying party) agrees to pay for a portion of or all of the development costs of another party (carried party) on a property in which both own a portion of the working interest.
Completion	Refers to the work performed to open a particular formation and the installation of permanent equipment for the production of oil and gas from a recently drilled well.
Development Drilling	Drilling to a known productive geological zone in a previously discovered field.
Dry Hole	An exploratory or development well that does not produce oil or gas in commercial quantities.
Exploratory Drilling	Drilling either in search of a new and as yet undiscovered reservoir of oil and/or gas, or with the hope of greatly extending the limits of an existing reservoir.
Field	An area consisting of a single or multiple reservoirs all grouped on or related to the same individual geological structural and/or stratigraphic feature.
Fracture Treatment (Frac.)	Injection of fluid into an oil or gas well at high pressure to induce artificial fractures in the reservoir and so to increase the inflow of oil or gas into the well. Solid grains, e.g. sand, are usually added to prop open the fracture.
Gas Well	A well producing primarily natural gas.
Lease	A contract in which the owner of mineral rights gives an oil company the right to explore for, develop, and produce minerals from the property.
MCF	The standard measure of volume for natural gas — 1,000 cubic feet.
MMCF	1,000,000 cubic feet.
Multi Pay Zone	A geological structure incorporating more than one known hydrocarbon bearing formation.
Net Acres	The gross acres multiplied by the working interest in the lease.
Net Reserves	Those reserves net to the appraised interests after deducting all leasehold and royalty interests owned by others.
Net Revenue	Revenue which could accrue to the appraised interests from the production and sale of the estimated net reserves after deducting production taxes, windfall profit taxes, direct lease operating expenses, ad valorem taxes and capital expenditure.
Offset Well	A well drilled on the next location to an existing productive well.
Oil Well	A well which produces crude oil.
Operator	The party who supervises operations on an oil or gas lease.
Payout	That point in time when cumulative distributions from a productive property to the interested parties first equal the aggregate of capital contributions made by the parties, or in certain cases a specific preferred return.
Permeability	The measure of the ease with which fluids can move through a reservoir.
Porosity	The relative volume of the pore space compared to the total bulk volume of the reservoir rock.
Prospective	An area with one or more formations that have potential to be productive of oil and gas but which has not been sufficiently tested in the immediate area to prove or condemn the potential would be considered prospective.
Reserve Categories	The various categories of oil and gas reserves are defined in the Petroleum Consultants' reports in Sections 5 and 6.
Royalty Interest	The share of the gross production of oil and gas on a property payable to the mineral estate owner who does not bear any of the costs of developing or producing the oil or gas.
Working Interest	The interest in the oil and gas in place which is burdened with the cost of development and operation of the property.

Section 8 – Illustration of Projected Cash Flow

Set out below is an illustration of the projected cash flow of Sapphire for the period ending 31st December, 1986. It has been prepared, for the purposes of illustration only, on the basis of the Petroleum Consultants' Reports (see Sections 5 and 6) and on the basis that Sapphire's production, development and exploration drilling programme for the period until 31st December, 1986 is implemented in full.

It is emphasised that this is not a forecast and should be read in conjunction with the assumptions set out below.

	6 months ending 30th June 1985 $000	*6 months ending 31st December 1985 $000*	*Year ending 31st December 1985 $000*	*Year ending 31st December 1986 $000*
Net operating revenues				
– existing projects	1,128	1,850	2,978	6,000
– new projects	—	175	175	850
	1,128	2,025	3,153	6,850
Administrative expenses	(548)	(450)	(998)	(900)
Operating cash surplus	580	1,575	2,155	5,950
Cash balances (bank borrowings), beginning of period	(419)	(1,953)	(419)	1,929
Operating cash surplus	580	1,575	2,155	5,950
Oil and gas property acquisitions	(350)	(1,250)	(1,600)	—
Exploration and development expenditure	(1,764)	(6,443)	(8,207)	(5,504)
Proceeds from Offer for Sale, net of expenses	—	10,000	10,000	—
Cash balances (bank borrowings), end of period	(1,953)	1,929	1,929	2,375

Sensitivity analysis

Should the gross selling price of oil and gas decline by 10%, or production rates decline by 10%, the operating cash surplus for the years ending 31 December, 1985 and 1986 would be $1,827,000 and $5,319,000 respectively.

Assumptions

The following assumptions have been made in preparing the illustration of the projected cash flow shown above:

(i) The Group will not be materially affected by any of the risk factors detailed above.
(ii) Net proceeds from the Offer for Sale after expenses will be $10,000,000.
(iii) No account has been taken of inflation.
(iv) The projected price per barrel of oil and MCF of gas attributable to Sapphire's working interests are $26.66 and $2.41 respectively in 1985 and $26.73 and $2.51 respectively in 1986.
(v) The exploration and development programme and the acquisition of certain oil and gas properties from Dyne and Chaparral (see above) will proceed as anticipated, and the cost of the programme and acquisition will be funded out of the proceeds of the Offer for Sale and future cashflow.
(vi) No account has been taken of any further projects which may be entered into in the period of the projected cash flow.
(vii) Net income from existing projects is based upon an independent report prepared by Gruy. New projects comprise the acquisition of oil and gas properties from Dyne and Chaparral. Net income derived from the Dyne project ($175,000 in 1985 and $850,000 in 1986) is based on information received from the operator. It has been assumed that no income will be derived from the Chaparral properties in the projection period.
(viii) No account has been taken of the interest that will accrue on projected cash balances.
(ix) No account has been taken of dividends that may be paid in the period of the projected cashflow.
(x) Amounts denominated in sterling have been translated into dollars at the rate of $1.25 of £1.

Section 9 – Taxation

The following section summarises those aspects of US and UK taxation applicable to Sapphire and its Subsidiaries and the principal UK taxation implications for investors in Sapphire. Whilst every effort has been made to ensure the accuracy of the information set forth herein, no guarantee can be given that the law is as set forth, or that the US Internal Revenue Service or the UK Inland Revenue will interpret such law as indicated, herein. Potential shareholders who have any doubt as to their tax position are advised to consult their professional advisers.

1. US Taxation Federal Taxes

SPH is incorporated in the State of Delaware and SPV, SEP and JMG are incorporated in the State of Texas, United States. They will be subject to US federal tax on their income and capital gains. The rate of federal income tax is graduated up to 46 per cent. which applies on taxable income over $100,000; capital gains are taxed at a rate of 28%.

JOC, being a partnership, is not itself subject to tax, as the tax charge arising from the partnership entity arises directly on the partners.

SPH and its wholly-owned US Subsidiaries file a consolidated return for US tax purposes enabling the profits and losses of the corporations involved to be offset against each other, thus generally ensuring maximum utilisation of the US tax allowances described below.

US taxation law has the usual distinction between capital costs and revenue costs. Tax relief for capital costs is usually spread over the life of the asset on a straight line basis, unless accelerated tax depreciation is available. Revenue costs are deducted as incurred. However, there are a number of special features reducing the effective rate of US taxation on ventures involving the exploration for and development of US oil and gas, the three most important being:

(a) Intangible drilling and development costs

Expenditures which are incidental to and necessary for the drilling of wells and their preparation for production and which in themselves have no salvage value may be deducted for tax purposes in the year in which they are incurred. Alternatively, these costs may be capitalised and tax relief claimed by means of depletion over the productive life of the well. This deduction is subject to recapture, as an addition to current taxable income, in the event of the disposal of the property at a gain.

(b) Depletion

Capital expenditures incurred in evaluating and acquiring oil and gas properties may be deducted for US tax purposes by means of a depletion allowance. Such capital expenditures include lease acquisition, geological and geophysical, and certain other costs. The depletion allowed for each oil and gas property is the greater of the allowance computed under the "cost" or "percentage" depletion methods. Percentage depletion may be utilised only by "independent producers". SPH and its subsidiaries qualify as independent producers since they are not engaged, directly or indirectly, in the retail marketing of oil and gas or oil and gas products and are not refiners of crude oil.

If cost depletion is utilised, the taxpayer is entitled to recover its capitalised cost in any property over the productive life of the property. Cost depletion, with respect to any specific property, cannot exceed the taxpayer's adjusted tax basis in that property. Unlike cost depletion, percentage depletion is not limited to the taxpayer's adjusted basis in the property, but continues to be available as a deduction each year, even after the adjusted basis has been fully depleted.

Percentage depletion is computed by multiplying a taxpayer's share of gross income from the property by a statutory percentage rate which is currently 15%. The percentage depletion allowance for a year may not exceed the lower of 50% of a corporation's taxable income from the property for the year or 65% of the total taxable income of the corporation for the year, and it is available only as to the first 1,000 barrels of average daily production of oil and the appropriate equivalent in gas.

Percentage depletion is not available, however, on properties acquired after 1974 which are, in accordance with the definition of the Internal Revenue Service, proven properties at the time of purchase. At present, approximately 60% of Sapphire's US properties obtain percentage depletion.

(c) Investment Tax Credit

An investment tax credit may be available for expenditure on certain depreciable equipment and other tangible property with a useful life of at least three years. For accelerated cost recovery system ("ACRS") property with a useful life of three years the credit is 6% of the cost of the property. For all other ACRS qualified property it is 10% of the cost of the property.

There are limitations on the amount of the credit which may be used in any one year, but excess credits may be carried back three years and forward seven years subject to certain conditions. The credit is subject to recapture, as an addition to the current federal income tax liability, if the property ceases to be qualifying property such as when the property is sold or disposed of before the end of its useful life.

Two factors can increase the level of US tax. These are:

(a) Windfall Profit Tax

A special excise tax known as the "windfall profit tax" is levied on US produced crude oil. Oil is taxed in one of three tiers and the tax rate is applied to the difference between the sales price and a base price computed under guidelines established by the US Treasury Department. The Sapphire Group is currently taxed at the most favourable independent producer rate of 30%.

The windfall profit tax is an allowable deduction in computing income for US federal income tax purposes. It will be phased out over a period to begin after 31st December, 1987 and ending no later than 1991.

(b) Minimum Tax

Corporations may be subject to a minimum tax on certain "preference items". A tax of 15% is computed on certain preference items reduced by the greater of $10,000 or the regular corporate tax liability. This tax is in addition to any income tax liability.

Tax preferences peculiar to oil and gas investment are the amount by which a corporation's percentage depletion deductions exceed its adjusted basis in each property. In addition, accelerated depreciation on real property, approximately 40% of net capital gains, and in some cases other items not ordinarily involved in oil and gas operations, are included among the tax preference items for a corporation.

State and Local Taxes

SPV, SEP and JMG are subject to Texas franchise taxes based on their net worth. SPH is not subject to such a tax, being a Delaware corporation. The Sapphire Group does not pay other state taxes at present due to the availability of operating losses.

Current US Proposals

The reliefs currently available to oil and gas producers may, however, be restricted by reform proposals presently under consideration by the US Administration. The most recent proposals include a maximum federal corporate income tax rate of 33% for taxable years beginning on or after 1st July, 1986; the phasing out of percentage depletion for production on or after 1st January, 1986 and the abolition of the option to expense intangible drilling costs with respect to costs paid or incurred on or after 1st January, 1986. In addition, for assets acquired on or after 1st January, 1986 the proposals would repeal the investment tax credit and replace the ACRS with a new real cost recovery system (RCRS). RCRS would, however, allow recovery of the inflation adjusted cost of an asset rather than limiting deductions to the original cost.

It is not certain whether these proposals will ultimately be enacted in their present form and accordingly it is not possible to determine the effect, if any, that the proposals will have on Sapphire's US operations.

Withholding Tax and Financing

Dividends paid by SPH to SPIL will be subject to a 5% withholding tax. No withholding tax is imposed on any interest payments made by SPH to SPIL or Sapphire or on the maturity of the deep discount notes issued in 1981 and 1983 by SPH to Sapphire.

The discount is deductible for US federal tax purposes on these existing notes as it accrues year by year.

The discount is deductible on redemption of any new notes issued after 1st July, 1984.

Foreign Investment in Real Property Taxes Act ("FIRPTA")

As SPH is a US real property holding corporation, SPIL may be chargeable to US tax on any disposal by it of its investment in SPH (except on an internal reorganisation). The US tax payable may be credited against the respective UK corporation tax.

2. UK Taxation

The income arising to the UK resident companies, SPIL and Sapphire, which will consist principally of payments of dividends, discount arising on the redemption of deep discount notes by SPH and interest on loans to SPH will be subject to UK corporation tax. The rate of corporation tax is to reduce from 40 per cent. for the financial year ending 31st March, 1986 to 35 per cent. for years ending on or after 31st March, 1987. Corporation tax is also payable on any chargeable gains at an effective rate of 30 per cent. Dividends received by SPIL will have suffered US withholding tax and the amount of tax so deducted will be available as a credit against the amount of corporation tax due. Credit is also available for underlying US tax paid on the profits out of which the respective dividends were paid. Credit will be given only to the extent that the US tax does not exceed the respective UK corporation tax.

Dividends received by Sapphire from SPIL will not be subject to tax in Sapphire's hands.

When Sapphire pays dividends or makes other distributions to its shareholders it has to make a payment of advance corporation tax ("ACT") equal to a fraction (currently 3/7ths) of the dividend. Subject to certain limits, ACT paid during an accounting period is credited against the company's liability to "mainstream" corporation tax on its taxable income (but not its chargeable gains) for that accounting period after allowing for any double taxation credit. Surplus ACT of any accounting period may be carried back and set against corporation tax on the income of accounting periods beginning within the six years preceding that period. Any remaining surplus ACT which has not been dealt with in this way may be carried forward against tax on the income of succeeding accounting periods. Surplus ACT of Sapphire may also be surrendered for offset by SPIL against tax on its income of a current accounting period or succeeding period (but not earlier periods).

Sapphire Petroleum P.L.C.

3. Taxation of Investors
Sapphire has to account to the UK Inland Revenue for ACT when it pays a dividend.

A UK resident individual shareholder is entitled to a tax credit equal to the ACT paid in respect of any dividend received. The net cash dividend together with the tax credit is included in the individual's UK taxable income. The tax credit is available for offset against the individual's total income tax liability or, in appropriate cases, may be reclaimed in cash.

A UK resident corporate shareholder will not be liable to UK corporation tax on any dividend received.

Whether holders of shares in Sapphire who are resident in countries outside the UK are entitled to the tax credit in respect of dividends depends in general upon whether there is an appropriate provision granting the entitlement in any double tax treaty in existence between the UK and the relevant country.

Persons who are not UK resident should consult their professional advisers to determine what relief, if any, is available to them.

Section 10 – Statutory and General Information

1. Share Capital

(a) Sapphire was incorporated in England on 24th April, 1981 as a public limited company (registered number: 1558167) under the Companies Acts 1948 to 1980 with an authorised share capital of £7,500,000 divided into 15,000,000 Ordinary Shares of 50p each.

(b) On incorporation, 2 Ordinary Shares of 50p each were allotted and issued to the subscribers for cash at par.

(c) On 30th June, 1981, 10,009,998 Ordinary Shares of 50p each were allotted and issued to subscribers for cash at a subscription price of £1 each.

(d) On 30th June, 1983, Sapphire offered 3,336,639 new Ordinary Shares of 50p each at 93p per share by way of rights on the basis of 1 new Ordinary Share for every 3 Ordinary Shares held on 15th June, 1983. As a result of such issue, 3,308,625 new Ordinary Shares were allotted and issued to shareholders.

(e) On 23rd December, 1983, 569,000 Ordinary Shares of 50p each were allotted and issued as consideration for the acquisition of the whole of the issued share capitals of Austin Friars Energy Limited and British American Oil Limited.

(f) At an Extraordinary General Meeting of Sapphire held on 12th June, 1985 the authorised share capital of Sapphire was increased to £15,000,000 by the creation of a further 15,000,000 Ordinary Shares of 50p each.

On the same date, 1,373,500 new Ordinary Shares of 50p each were issued to W. E. Johnson III (1), W. E. Johnson Jnr. (2), R. S. Johnson (3), R. K. Dowd (4), J. L. Taylor Jnr. (5) and Willbro (6) under the terms of the contract referred to in paragraph 7 (e) below.

(g) On 25th June, 1985, 6,000,000 Ordinary Shares of 50p each were provisionally allotted to Williams de Broe at an aggregate subscription price of £9m, on the terms and conditions set out in the Offer for Sale Agreement referred to in paragraph 3 below.

(h) The Directors of Sapphire have been advised that Sapphire is not a close company within the provisions of the Income and Corporation Taxes Act 1970.

2. Subsidiaries

(a) SPIL is a private company incorporated in England on 24th April, 1981 and has an authorised share capital of £10,000 divided into 10,000 ordinary shares of £1 each, all of which have been issued and are fully paid. SPIL's principal activity is that of a holding company.

(b) SPH is a private company incorporated in the United States on 8th May, 1981 in the state of Delaware. SPH has an authorised capital of 20,000 $1 shares of common stock, of which 15,110 have been issued at par and are fully paid.

(c) SPV is a private company incorporated in the United States on 30th April, 1981 under the Texas Business Corporation Act. SPV has an authorised capital of 5,000,000 $1 shares of common stock, of which 1,500,000 have been issued at par and are fully paid.

(d) SEP is a private company incorporated in the United States on 30th April, 1981 under the Texas Business Corporation Act. SEP has an authorised capital of 5,000,000 $1 shares of common stock, of which 300,000 have been issued at par and are fully paid.

(e) JMG is a private company incorporated in the United States on 10th May, 1985 under the Texas Business Corporation Act. JMG has an authorised capital of $1,000,000 divided into 1,000,000 shares of common stock having no par value, of which 1,000 have been issued for $1,679,525 and are fully paid.

3. Offer for Sale Agreement
By an Agreement dated 25th June, 1985 ("the Agreement") between (1) Sapphire (2) the Directors and (3) Williams de Broe, Williams de Broe agreed (conditionally upon the Council of The Stock Exchange granting permission to deal in the whole of the issued share capital of Sapphire in the Unlisted Securities Market by not later than 1st July, 1985) to subscribe or procure subscribers for 6,000,000 Ordinary Shares of 50p each at 150p per share ("the subscription price") and to offer such shares to the public at a price equal to the subscription price.

The Agreement provides, *inter alia*, that Sapphire shall pay the costs and expenses of, and incidental to, the increase in the authorised share capital of Sapphire for the purposes of the Offer for Sale, the application for permission to deal in the share capital of Sapphire in the Unlisted Securities Market, the accountancy, legal and other professional expenses relating to the Offer for Sale, the fees and expenses of the registrars, and receiving agents, the capital duty payable on allotment of the new shares and the costs of printing, advertising and circulating the Offer for Sale prospectus and all other related documents.

The total expenses payable by Sapphire are estimated to amount to £1,000,000 (exclusive of value added tax). Williams de Broe will receive a commission of 2 per cent. (plus value added tax) on the Offer for Sale price, out of which it will pay a sub-underwriting commission of 1¼ per cent. (plus value added tax where appropriate). In addition, Williams de Broe will receive a fee of £80,000 (plus value added tax).

4. Articles of Association
The Articles of Association of Sapphire provide, *inter alia*, as follows:

(a) Voting

(i) Subject to any terms as to voting upon which any shares may be issued, every member who is present in person at a general meeting of Sapphire shall, on a show of hands, have one vote. On a poll, every member who is present in person or by proxy shall have one vote for every share of which he is the holder.

(ii) No member shall be entitled to vote at any general meeting if any call or other sum presently payable by him in respect of those shares remains unpaid or if he has been duly served with a notice under Section 74 of the Companies Act 1981 and he is in default in supplying to Sapphire the information thereby requested within 28 days commencing on the date of such notice.

(b) Directors

(i) The Directors shall be paid out of the funds of Sapphire by way of remuneration for their services such sums as may be determined by Sapphire in general meeting, provided that the total amount of such remuneration (excluding any sums to which a Director may be entitled under the terms of any contract with Sapphire) shall not exceed £70,000 per annum. Such remuneration shall be divided between the Directors in such proportion and manner as they may unanimously determine or in default of such determination, equally. A Director holding office for less than a year shall be entitled to a proportionate part of such remuneration. The Directors shall be entitled to be repaid all expenses incurred by them in connection with the business of Sapphire. Any Director who performs special services for Sapphire may be paid such extra remuneration as the Directors may determine.

(ii) The Directors may (by establishment or maintenance of schemes or otherwise) pay or procure the payment of pensions, allowances, gratuities or other benefits to any person including past and present Directors of Sapphire or any of its subsidiaries.

(iii) Save as provided below, a Director shall not vote in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest and shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting. Sapphire may by ordinary resolution suspend or relax such provisions to any extent or ratify any transaction not duly authorised by reason of a contravention thereof.

(iv) A Director shall, in the absence of some other material interest than is indicated below, be entitled to vote and be counted in the quorum in respect of any resolution concerning any of the following matters namely:—

(a) any contract or arrangement for giving to such Director any security or indemnity in respect of money lent by him or obligations undertaken by him for the benefit of Sapphire;

(b) any contract or arrangement for the giving by Sapphire of any security to a third party in respect of a debt or obligation of Sapphire which the Director has himself guaranteed or secured in whole or in part;

(c) any contract or arrangement by a Director to subscribe for shares, debentures or other securities of Sapphire issued or to be issued pursuant to any offer or invitation to members or debenture holders of Sapphire or any class thereof or to the public or any section thereof, or to underwrite any shares, debentures or other securities of Sapphire;

(d) any contract or arrangement in which he is interested by virtue of his interest in shares or debentures or other securities of Sapphire or by reason of any other interest in or through Sapphire;

(e) any contract or arrangement concerning any other company (not being a company in which the Director owns 1 per cent. or more) in which he is interested directly or indirectly whether as an officer, shareholder, creditor or otherwise howsoever;

(f) any proposal concerning the adoption, modification or operation of a superannuation fund or retirement, death or disability benefits scheme which relates both to Directors and employees of Sapphire or of any of its subsidiaries and does not accord to any Director as such any privilege or advantage not generally accorded to the employees to which such scheme or fund relates;

(g) any arrangement for the benefit of employees of Sapphire or of any of its subsidiaries under which the Director benefits in a similar manner as the employees and does not accord to any Director as such any privilege or advantage not generally accorded to the employees to whom such scheme or fund relates.

(v) The provisions of Section 185 of the Companies Act 1948 (relating to the appointment of persons as Directors and the retirement of Directors who are aged 70 or more) shall apply to all the Directors of Sapphire.

(c) Borrowing Powers
Save as provided below, the Directors may exercise all the powers of Sapphire to borrow money and to mortgage or charge its undertaking, property and uncalled capital, and to issue debentures, debenture stock and other securities whether outright or as collateral security for any debt, liability or obligation of Sapphire or any third party. The Directors shall restrict the borrowings of Sapphire and, so far as it can by the exercise of all rights and powers it has in relation to its subsidiaries, those of its subsidiaries so as to ensure (as regards subsidiaries so far as by such exercise it can secure) that the aggregate amount for the time being remaining undischarged of all monies borrowed by the Group (exclusive of monies owing by one member of the Group to another member of the Group) shall not without the previous sanction of an ordinary resolution exceed an amount equal to the Adjusted Total of Capital and Reserves (as defined in the Articles of Association).

5. Directors' and other interests

(a) The interests of the Directors and their immediate families (all of which are beneficial) in the issued share capital of Sapphire immediately before the Offer for Sale which are required to be entered in the register maintained under the provision of the Companies Act 1967 are as follows:

	Ordinary Shares of 50p each	*Percentage of Ordinary Share capital*
J. D. Webster	2,000	0.013
A. W. F. Wright	23,166	0.152
P. Pollard	5,666	0.037
J. L. Taylor Jnr.	68,675	0.450
M. I. Henderson	1,333	0.009
W. E. Johnson III	216,025	1.415
R. H. R. Latham	5,000	0.033
S. Stevenson Jnr.	20,000	0.131

Save as disclosed above, none of the Directors has any interest (beneficial or non-beneficial) in the issued share capital of Sapphire.

(b) The Directors have not been notified of any shareholdings which represent 5 per cent. or more of the issued share capital of Sapphire save for the following shareholders, all of whom are clients of Williams de Broe:

	Ordinary Shares of 50p each
Bank of Scotland London Nominees Limited	908,499
Nominees Limited	1,738,282
Sun Life Assurance Society PLC	800,000
United Kingdom Temperance & General Provident Institution	1,987,198

(c) (i) Mr. P. Pollard is a director of and shareholder in Wetherell Edwards & Company, Limited which provides technical services to SPH.

(ii) Mr. W. E. Johnson III was the General Partner of Johnson Management Group Ltd. Further to the arrangements described in paragraph 7(e) of this Section 10, Mr. Johnson received 206,025 Ordinary Shares in Sapphire.
Mr. Johnson is also a partner in Johnson, Johnson & Johnson, a Texas professional corporation from which Sapphire rents office space and related facilities.

(iii) Mr. A. W. F. Wright is a director of and shareholder in Williams de Broe which firm will receive in connection with the Offer for Sale a fee of £80,000 (exclusive of VAT) and a commission of 2 per cent. (plus VAT) of the value of the Shares at the Offer for Sale price.
Williams de Broe has entered into an agreement with Sapphire dated 12th June, 1985, under which Williams de Broe provides Sapphire with office and related facilities.
Mr. Wright is also a director of Willbro, a subsidiary of Williams de Broe which was a partner in Johnson Management Group Ltd. Willbro received 686,750 Ordinary Shares in Sapphire as part of the arrangements described in paragraph 7(e) of this Section 10.
Mr. Wright was formerly a shareholder in Austin Friars Energy Limited which company was acquired by Sapphire on 23rd December, 1983 in consideration of the allotment of shares. Mr. Wright received 4,000 Ordinary Shares in Sapphire as a result of this transaction, which is referred to in paragraph 7(b) of this Section 10.

(iv) Mr. J. L. Taylor Jnr. was a partner in Johnson Management Group Ltd. Further to the arrangements referred to in paragraph 7(e) of this Section 10, he received 68,675 Ordinary Shares in Sapphire.

(v) Save as disclosed above, no Director has any interest in any transactions which are or were unusual in their nature or conditions or which are or were significant to the business of the Group and which were effected by any member of the Group since 30th June, 1983, or if effected prior to 30th June, 1983 remain in any way outstanding or unperformed. Save as disclosed above, no Director has or had any interest, direct or indirect in the promotion of or in any assets which, within the two years preceding the date of this prospectus, have been or are proposed to be, acquired or disposed of by, or leased to or by, any company in the Group.

6. Directors' remuneration and service agreements
The aggregate fees of the Directors of Sapphire for the year ended 31st December, 1984 were approximately £18,000 and it is anticipated that their fees for the financial year ending 31st December, 1985 will, under the arrangements in force at the date of this document, be approximately £30,500, and from 1st July, 1985, will be at the annual rate of £48,000.

Prior to 1st July, 1985, no emoluments (other than Director's fees) were paid to the Directors. It is anticipated that (other than Directors' fees) the aggregate emoluments of the Directors for the financial year ending 31st December, 1985 will be £22,500, under the contract referred to at sub-paragraph (a) below and $40,000 under the contract referred to at sub-paragraph (b) below.

It is estimated that the aggregate annual fees and emoluments of the Directors will be £93,000 and $80,000.

The Directors' service agreements may be summarised as follows:

(a) An agreement dated 12th June, 1985 between (1) Sapphire and (2) Mr. A. W. F. Wright under which Mr. Wright is employed as Managing Director of Sapphire, on a part-time basis, at a salary of £45,000 per annum (which may be increased following review by the Board of Directors from time to time) for an initial period of three years from 12th June, 1985. This agreement may be determined by 6 months' written notice from either party.

(b) An agreement as of 1st July, 1985 between (1) SPH and (2) J. L. Taylor Jnr. under which Mr. Taylor is employed as President and Chief Executive Officer of SPH at a salary of $80,000 per annum for an initial period of one year from 1st July 1985. This agreement may be determined by 90 days' written notice from either party.

Save as disclosed above, there are no other contracts of service between Sapphire or any of its Subsidiaries and any Director of Sapphire.

All Directors are entitled to reimbursement of reasonable expenses incurred on Sapphire's business.

7. Material Contracts
The following contracts, not being contracts in the ordinary course of business, have been entered into by Sapphire or its Subsidiaries within the two years immediately preceding the date of this prospectus and are or may be material:

(a) An agreement dated 1st October, 1983 between (1) SPH, (2) Johnson Management Group Ltd., (3) Johnson Energy International Inc., (4) William E. Johnson III and (5) Willbro whereby the agreement constituting JOC dated 15th May, 1981 was amended in certain respects.

(b) An agreement dated 23rd December, 1983 between (1) Sapphire and (2) the vendors named therein under which Sapphire agreed to purchase the issued share capitals of Austin Friars Energy Limited and British American Oil Limited for a consideration of 1 new Ordinary Share of Sapphire for every 5 Ordinary Shares held of Austin Friars Energy Limited or of British American Oil Limited, amounting to an issue to the vendors of 569,000 new Ordinary Shares of 50p each in Sapphire.

(c) An agreement dated 14th May, 1985 (as amended by amendments dated 24th May, 1985 and 10th June, 1985) between (1) SPV (2) Paul V. Hoovler and (3) Chaparral under which SPV agreed to purchase certain interests of Chaparral in the Four Well commitment, Lower Fort Union Formation, South Madden field, Fremont and Natrona Counties Wyoming, for a consideration of $2,600,000, to be satisfied by a cash payment as to $1,600,000 ("the cash consideration") and the balance by the issue of Ordinary Shares in Sapphire ("the share consideration").

The cash consideration comprises sums of $350,000, which has already been paid, $750,000, which is payable within 21 days of the date of this prospectus, and a further sum of $500,000 ("the conditional cash consideration"). The conditional cash consideration and the share consideration are each payable in two equal instalments on the satisfactory completion of each of the first two wells, which, together with two additional wells SPV is committed to drill, following the completion of the Offer for Sale. In the event it is determined that either of the first two wells will not achieve payout within 40 months of completion, SPV is released from its obligation to pay one half of both the conditional cash consideration and the share consideration. In the event that it is determined that both these wells will not achieve payout within 40 months of completion, the conditional cash consideration and the share consideration will cease to be payable. In the event that the Offer for Sale does not take place, the agreement is determinable at SPV's option.

(d) An agreement dated as of 31st May, 1985 whereby the agreement constituting JOC was restated and further amended.

(e) An agreement dated 20th May, 1985 between (1) Sapphire, (2) W. E. Johnson III, (3) W. E. Johnson Jnr. (4) R. S. Johnson, (5) R. K. Dowd, (6) J. L. Taylor Jnr., and (7) Willbro under which Sapphire, in consideration of the acquisition of the entire issued share capital of JMG, agreed to issue 1,373,500 Ordinary Shares to the vendors.

(f) An Agreement dated 1st July, 1982 as amended by a Supplemental Agreement dated 12th June, 1985 between (1) SPH and (2) Wetherell Edwards & Company, Limited, of which Mr. P. Pollard is a director, under which Wetherell Edwards & Company, Limited provides technical services to SPH for a fee of £30,000 per annum.

(g) The Offer for Sale Agreement referred to in paragraph 3 above.

8. Working Capital
The Directors of Sapphire are of the opinion that after taking into account the estimated net proceeds of the Offer for Sale and Sapphire's banking facilities, Sapphire will have sufficient working capital for its present requirements.

9. General

(a) (i) No share or loan capital of Sapphire or of its Subsidiaries is under option or has been agreed conditionally to be put under option.

(ii) Save for the Ordinary Shares to be issued pursuant to the contract referred to in sub-paragraph (c) of paragraph 7 of this Section 10, and the Ordinary Shares which have been issued pursuant to the contracts referred to at sub-paragraphs (b) and (e) of paragraph 7 and by way of the rights issue referred to in sub-paragraph (d) of paragraph 1 of this Section 10, no share or loan capital of Sapphire or of its Subsidiaries has, within the two years immediately preceding the date hereof, been issued, agreed to be issued or is now proposed to be issued either for cash or otherwise.

(iii) Save as disclosed herein, within the said two years no commissions, discounts, brokerages or other special terms have been granted by Sapphire or any of its Subsidiaries in connection with the issue or sale of any part of their respective share or loan capitals.

(b) With the exception of the Ordinary Shares to be issued in the Offer for Sale, and pursuant to the agreement referred to in sub-paragraph (c) of paragraph 7 of this Section 10 no material issue of shares (other than shares first offered to shareholders *pro rata* to existing shareholdings) will be made within one year of the date of this document without the prior approval of Sapphire in General Meeting. No issue will be made which would effectively alter the control of Sapphire or the nature of Sapphire's business without the prior approval of Sapphire in General Meeting.

(c) Neither Sapphire nor any of its Subsidiaries is involved in any legal or arbitration proceedings which may have or have had during the twelve months preceding the date of this prospectus a significant effect on the financial position of the Sapphire Group nor, so far as the Directors are aware, are any such proceedings pending or threatened against any of the Sapphire Group.

(d) Arthur Andersen & Co., Bergeson and Gruy have given, and have not withdrawn, their written consents to the issue of this prospectus with the inclusion herein of their respective reports and the references thereto in the form and context in which they appear.

(e) Save as disclosed herein, there has been no material change in the financial or trading position of Sapphire since 31st December, 1984 the date to which the latest audited accounts of Sapphire were made up.

(f) The minimum amount which in the opinion of the Directors of Sapphire must be raised by the issue of the Ordinary Shares now being offered is £9m which, in relation to the matters specified in paragraph 4(a) of part 1 of the Fourth Schedule to the Companies Act 1948, is made up as follows:

(i) Tangible and intangible assets — £6.0 million
(ii) Preliminary expenses — £1.0 million
(iii) Repayments — Nil
(iv) Working Capital — £2.0 million

In addition an amount of £5.4 million is to be provided from operating cash surpluses and available bank borrowing facilities.

(g) For the purposes of section 50 (1) of the Companies Act 1948 the application lists in respect of the Ordinary Shares of 50p each which are the subject of the Offer for Sale will open at 10.00 a.m. Tuesday 2nd July, 1985 and may be closed at any time thereafter.

(h) Unless otherwise stated, all currency equivalents shown in this prospectus are based on an exchange rate of $1.25 to £1 Sterling.

10. US Investors
The Ordinary Shares which are the subject of the Offer for Sale have not been and will not be registered under the Securities Act of 1933 of the US. Accordingly the shares may not be offered or sold directly or indirectly in the US, to or for the benefit of any US person, or to any person purchasing any of the shares for reoffering or resale, directly or indirectly, in the US or to, or for the benefit of any US person, as part of the distribution of such shares. Furthermore, no such shares may be offered or sold in the US or to or for the benefit of, any US person prior to the date 90 days after the completion of the distribution of such shares, as determined by Williams de Broe. Notwithstanding the expiration of such 90 day period, any offers or sales of such shares in the US to or for the benefit of, any US person must be made pursuant to the registration requirements of the Securities Act of 1933 of the US or an exemption therefrom.

Each applicant will represent by the delivery of a duly signed application form that he is not a US person and is not purchasing any of the shares for the benefit of any US person and that he has acted and will act in compliance with the requirements of the foregoing paragraph. For further details, see the application form set out at the end of this prospectus.

11. Documents available for inspection
Copies of the following documents may be inspected at the offices of Williams de Broe Hill Chaplin & Company Limited, Pinners Hall, Austin Friars, London EC2P 2HS during usual business hours on any weekday (Saturdays and public holidays excepted) until 12th July, 1985:

(i) the Memorandum and Articles of Association of Sapphire;
(ii) the audited accounts of Sapphire for the three years ended 31st December, 1984;
(iii) the Accountants' Report by Arthur Andersen & Co.;
(iv) the Petroleum Consultants' Reports;
(v) the material contracts referred to in paragraph 7 above;
(vi) the Service Agreements referred to in paragraph 6 above;
(vii) the written consents referred to in paragraph 9 (d) above.

Section 11 – Procedure for Application

1. Applications must be made on the Application Form set out at the end of this document and must be for a minimum of 100 shares and thereafter for the following multiples of shares; in multiples of 100 shares between 100 and 1,000 shares, in multiples of 500 shares between 1,000 shares and 10,000 shares, in multiples of 1,000 shares between 10,000 shares and 25,000 shares and in multiples of 5,000 shares thereafter.

2. Applications must be lodged with or posted to National Westminster Bank PLC, New Issues Department P.O. Box 79, 2 Princes Street, London EC2P 2BD so as to arrive in either case not later than 10.00 a.m. on Tuesday, 2nd July, 1985 (being the time of the opening of the application lists).

3. Each application must be accompanied by a separate cheque or bankers' draft, drawn in Sterling on a branch in England, Scotland, Wales, Northern Ireland, the Channel Islands or the Isle of Man of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques and bankers' drafts to be cleared through the facilities provided for the members of those Clearing Houses (and which must bear the appropriate sorting code number in the top right hand corner), made payable to "National Westminster Bank PLC" and crossed "Not Negotiable Sapphire" representing payment in full at the application price. Due completion and delivery of an Application Form accompanied by a cheque will constitute an undertaking that the cheque will be honoured on first presentation: attention is drawn to the declaration in the Application Form to that effect.

4. The right is reserved to present all cheques and bankers' drafts for payment and to retain Letters of Acceptance and surplus application moneys pending clearance of all applicants' cheques. The right is also reserved to reject any application in whole or in part. Multiple or suspected multiple applications are liable to be rejected. Applications will be irrevocable until after 10th July, 1985. Photostat copies of Application Forms will not be accepted.

5. No person receiving a copy of this document or an Application Form in any territory other than the UK may treat the same as constituting an invitation or offer to him, nor should he in any event use such Form, unless in the relevant territory such an invitation or offer could lawfully be made to him or such Form could lawfully be used without contravention of any applicable registration or other legal requirements. Any person outside the UK wishing to make an application hereunder should satisfy himself as to observance of the laws of any relevant territory, including obtaining any requisite governmental or other consents or observing any other requisite formalities, including the payment of any issue, transfer or other taxes required to be paid in such territory.

6. The Application Form contains certain confirmation, representations, warranties and undertakings in respect of US securities laws which must be made by the persons applying for shares.

7. Williams de Broe will have discretion in deciding the basis of allocation. In so deciding, Williams de Broe will have regard to the need to establish a satisfactory market in the shares, for which purpose a reasonable number of shareholders is required.

8. The basis of allocation will be announced on or as soon as possible after Wednesday, 3rd July, 1985. Renounceable Letters of Acceptance are expected to be despatched on 8th July, 1985. Dealings are expected to commence on 9th July, 1985. Successful applicants will receive temporary documents of title, in the form of renounceable Letters of Acceptance, for the number of Ordinary Shares allocated to them. A successful applicant may, free of stamp duty, sell or otherwise dispose of all or some of the Ordinary Shares allocated to him by completion of the form of renunciation on his Letter of Acceptance and delivery of the Letter to the transferee. Upon renunciation, such a Letter becomes a negotiable bearer document. Detailed instructions will be set out in the Letters of Acceptance but a successful applicant who is in any doubt about his position should consult his bank manager, stockbroker, accountant, solicitor or other professional adviser. Letters of Acceptance will be renounceable until 3.00 p.m. on 9th August, 1985; thereafter an instrument of transfer must be used and stamp duty will be payable on any sale or other disposal of Ordinary Shares.

9. The Shares now being offered for sale will be registered free of stamp duty and registration fees in the names of applicants or persons in whose favour Letters of Acceptance have been renounced provided that, in cases of renunciation, Letters of Acceptance (duly completed in accordance with the instructions contained therein) are lodged for registration not later than 3.00 p.m. on 9th August, 1985. Share certificates are expected to be posted on 6th September, 1985.

10. All documents, cheques and bankers' drafts will be sent at the risk of the persons entitled thereto.

11. In order to obtain registration of shares covered by Letters of Acceptance which have been renounced, the persons in whose favour such Letters of Acceptance have been renounced will be required to make certain confirmations, representations, warranties and undertakings in respect of US securities laws comparable to those contained in the Application Form.

12. Acceptance of applications is conditional on permission being granted by the Council of The Stock Exchange for the whole of the Ordinary Share capital of Sapphire, issued and now being offered for sale, to be dealt in on the Unlisted Securities Market (subject only to posting renounceable Letters of Acceptance) not later than 1st July, 1985. Application moneys will be returned (without interest) if such Ordinary Share capital is not so admitted and, in the meantime, will be held by National Westminster Bank PLC in a separate account.

13. If any application is not accepted, or is accepted for fewer shares than the number applied for, the application moneys or the balance of the amount paid on application (as the case may be) will be returned (without interest) by crossed cheque in favour of the applicant(s) through the post at the risk of the applicant(s).

Copies of this document with Application Forms may be obtained between 27th June, 1985 and 2nd July, 1985 from:

Williams de Broe Hill Chaplin & Company Limited,
Pinners Hall,
Austin Friars,
London,
EC2P 2HS

National Westminster Bank PLC,
New Issues Department,
P.O. Box 79,
2, Princes Street,
London,
EC2P 2BD

and National Westminster Bank PLC at the following addresses:

14 Blythswood Square, Glasgow G2 4AQ
Colmore Centre, 103 Colmore Row, Birmingham B3 3NS
80 George Street, Edinburgh EH2 3DZ
8 Park Row, Leeds LS1 1QS
55 King Street, Manchester M60 2DB

Dated 27th June, 1985

Application Form

Sapphire Petroleum P.L.C.

(Registered in England under the Companies Acts 1948 to 1980 No. 1558167)

Offer for Sale
by
WILLIAMS de BROE HILL CHAPLIN & COMPANY LIMITED
of
6,000,000 Ordinary Shares of 50p each at 150p per share, payable in full on application

The application lists will open at 10.00 a.m. on 2nd July, 1985 and may be closed at any time thereafter.

APPLICATIONS MUST BE RECEIVED BY 10 a.m. ON TUESDAY, 2nd JULY, 1985.

Applicants are strongly advised either to deliver this Application Form by hand or to use first class post and allow at least two days for delivery.

To: WILLIAMS de BROE HILL CHAPLIN & COMPANY LIMITED.

*Number of shares for which application is made	Amount of cheque enclosed
	£

*Applications must be for a minimum of 100 shares and in the following multiples.
—for not more than 1,000 shares: in multiples of 100 shares
—for more than 1,000 shares, but not more than 10,000 shares in multiples of 500 shares
—for more than 10,000 shares, but not more than 25,000 shares, in multiples of 1,000 shares
—for more than 25,000 shares: in multiples of 5,000 shares

I/We enclose a cheque/banker's draft payable to National Westminster Bank PLC for the above mentioned sum, being the full amount payable in respect of the above stated number of Ordinary Shares of 50p each of Sapphire Petroleum P.L.C. ("the Company") at 150p per share, and I/we offer to purchase that number of Ordinary Shares and I/we agree to accept the same or any smaller number in respect of which this application may be accepted upon the terms of the prospectus dated 27th June, 1985.
I/We hereby authorise you to send a renounceable letter of acceptance in respect of the said Ordinary Shares, and/or a cheque for any monies returnable, by post at my our risk to the address given in the box below and to procure my/our name(s) to be registered in the Register of Members of the Company as holder(s) of the said Ordinary Shares, or of those of them which are not effectively renounced.
In consideration of your agreeing to consider applications upon the terms and subject to the conditions of the said prospectus, I/we agree that this application shall be irrevocable until 10th July, 1985 and that this paragraph shall constitute a collateral contract between me us and you which shall become binding upon receipt of this Application Form, duly completed, by National Westminster Bank PLC, New Issues Department.
I/We understand that due completion and delivery of this Application Form accompanied by a cheque/banker's draft will constitute a warranty that the cheque will be honoured on first presentation and acknowledge that any allocation to me/us is made on that understanding.
I/We also acknowledge that letters of acceptance and cheques for any application monies returnable are liable to be held pending clearance of applicants' cheques.
I/We agree that this application and acceptance thereof and any contract relating hereto and to the Offer shall be governed by and construed in accordance with the laws of England.
I/We hereby declare, represent and warrant (i) that I/we understand that the Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended, and may not, directly or indirectly, be offered, sold, renounced, transferred, assigned, exchanged or otherwise disposed of in the United States of America, its territories and possessions and all areas subject to its jurisdiction ("United States") or to or for the benefit of any person who is a national or citizen of or a resident or normally a resident thereof, including the estate of any such person, or to any corporation, partnership or other entity created or organised in or under the laws of the United States or any political sub-division thereof ("United States Person"); (ii) that I/we am/are not (a) United States Person(s); and (iii) that I/we am/are not acquiring any Ordinary Shares for the account of any United States Person or with a view to their offer, sale, renunciation, transfer, assignment, exchange or other disposal, directly or indirectly, in the United States or to any United States Person.

FOR OFFICE USE ONLY
1 Acceptance number
2 Number of shares accepted
3 Amount received on application £
4 Amount payable on shares accepted £
5 Amount returned £
6 Cheque number

First or Sole Applicant
Signature .... Dated 1985

Please use BLOCK CAPITALS

Surname (Mr., Mrs., Miss or Title) ....
Forenames (in full) ....
Address (in full) ....
....
.... (Post Code) ....

Please pin cheque or banker's draft here

Joint Applicants (if any)

ALL JOINT APPLICANTS MUST SIGN AND GIVE NAMES AND ADDRESSES BELOW

2. *Signature* ....
Surname (Mr., Mrs., Miss or Title) ....
Forenames (in full) ....
Address (in full) ....
....
.... (Post Code) ....

3. *Signature* ....
Surname (Mr., Mrs., Miss or Title) ....
Forenames (in full) ....
Address (in full) ....
....
.... (Post Code) ....

4. *Signature* ....
Surname (Mr., Mrs., Miss or Title) ....
Forenames (in full) ....
Address (in full) ....
....
.... (Post Code) ....

A corporation should complete this Application Form under hand by a duly authorised officer who should state his representative capacity. If this Application Form is signed under a power of attorney, such power of attorney must accompany this Application Form.
This Application Form, when completed, together with a cheque or banker's draft for the full amount payable on application, must be forwarded to National Westminster Bank PLC New Issues Department, PO Box 79, 2 Princes Street, London EC2P 2BD, and should arrive not later than 10 a.m. on 2nd July, 1985. Photostat copies of Application Forms will not be accepted.
Cheques and banker's drafts must be made payable to National Westminster Bank PLC and crossed "Not Negotiable Sapphire". A separate cheque or banker's draft must accompany each Application Form.
Cheques and banker's drafts must be drawn in sterling on a bank or branch of a bank in England, Scotland, Wales, Northern Ireland, the Channel Islands or the Isle of Man, which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided for the members of those Clearing Houses and must bear the appropriate sorting code number in the top right hand corner. The right is reserved to present all cheques for payment on receipt and to reject or scale down any application, in particular, multiple or suspected multiple applications and applications for an incorrect multiple of shares. No receipt will be issued for the payment on application, but an acknowledgement will be forwarded in due course through the post at the risk of the applicant(s) by a fully paid renounceable letter of acceptance and/or the return of the application monies or any surplus thereof.

THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
28	29	30	1	2	3	4

Opera and Ballet

PARIS

Le Barbier de Seville, conducted by Hans Graf, Almaviva sung by Dano Raffanti/Noel Velsaco, Rosine by Suzanne Mentzer, Figaro by Patrick Raftery and Basilio by Ruggiero Raimondi. Opéra Comique (296 0611)

Robert le Diable alternates with Soirée de Ballets and with Tosca. Conducted by James Conlon with Raina Kabaivanska in the title role and Giacomo Aragall in that of Cavaradossi. Paris Opéra (266 5022).

VIENNA

Staatsoper (5324/2655): Turandot conducted by Slatkin with Dimitrova Freni and the Vienna Boys Choir; Cavalleria Rusticana and Der Bajazzo; Lohengrin.

Volksoper (5324/2657): Count of Luxembourg conducted by Artmuller; Vienna Blood; Der Wildschütz conducted by Richter.

WEST GERMANY

Berlin, Deutsche Oper: Cosi fan tutte, produced by Götz Friedrich, brings together Angela Denning, Anne-Sofie von Otter and Keith Lewis. Simon Boccanegra, sung in Italian, has Ingvar Wixell in the title role for the first time. (34381)

Hamburg, Staatsoper: Die Entführung aus dem Serail is steered to triumph by Kurt Moll as Osmin. Boris Godunov is offered in a concert version with Gabriele Fontana and Kurt Moll as leads. La Traviata features Francisco Araiza and Julia Varady. Zar und Zimmermann has fine interpretations by Jutte-Renate Ihloff and Toni Blankenheim. (351151).

Frankfurt, Opera: Premiering this month is Der Rosenkavalier, produced by Philippe Sireuil. In the main parts are Gail Gilmore, Helena Doese and Manfred Schenk. Tosca, conducted by Guiseppe Patane, has Maria Slatinaru in the title role. Also Der Zigeunerbaron, Aida and Hoffmann's Erzählungen. (25621).

LONDON

Royal Opera, Covent Garden: In the new production of Ariadne auf Naxos, Jessye Norman and Rosalind Plowright alternate in the title role, and Kathleen Battle and Celina Lindsley in that of Zerbinetta; Jeffrey Tate conducts. The glittering cast for the new production of Rossini's La donna del lago includes Marilyn Horne and Frederica von Stade. (240 1066).

English National Opera, Coliseum: The last two performances of the current season – the new productions of Philip Glass's Akhnaten and Michael Tippett's Midsummer Marriage. (836 3161).

Royal Ballet moves to a tent in Battersea Park for two weeks with a reasonably-priced performance every night.

Festival Ballet opens at the Coliseum on Tuesday with a new staging of Coppelia which plays all week. (836 3161).

ITALY

Spoleto, Teatro Nuovo: La Fanciulla del West produced by Bruce Beresford, the Australian film director, tackling opera for the first time. Costumes and scenery by Ken Adam (involved with the most famous of the Bond films). Spoleto Festival Orchestra is conducted by Christian Badea (with the Westminster Choir). 678844 (Rome) 40265 (Spoleto).

Vicenza, Teatro Olimpico: Mozart's Il re Pastore conducted by Gabriele Ferro and produced by Pierluigi Pizzi (who also designed scenery and costumes). In the cast, Lucia Aliberti, Kaaren Erickson, Brigitte Poschner, Yosiisa Yamaji and Jorio Zennaro (37023).

Turin, Teatro Regio: Madame Butterfly conducted by Will Umburg and directed by Mario Nasciguerra. (548000)

Milan, (Central Courtyard of Milan University – Ca' Granda) via Festa del Perdono: I Promessi Sposi. A two-act ballet by Roberto Azon based on Alessandro Manzoni's novel, with choreograpy by Mario Pistoni and scenery by Luisa Spinatelli. In the cast, Luciana Savignano, Oriella Doriella and Francesco Sedeno, with the La Scala corps de ballet. Every Day except Sunday. (809126).

Naples, Teatro di San Carlo: La Sonnambula with Edita Gruberova (alternating with Maria Dragoni) Antonio Savastano, Simone Alaimo and Kate Gamberucci. (418266).

Teatro alla scala, Andrea Cenier by Umberto Giordano, conducted by Riccardo Chailly and produced by Lamberto Puggelli with Silvana Mazzieri, Eva Marton and Jose Carreras; Don Pasquale conducted by Claudio Abbado with Luciana Serra, Sesto Bruscantini, Ernesto Gavassi and Alfredo Kraus. 809126.

SPAIN

Madrid, Teatro de la Zarzuela. An all-too-rare appearance in his own country of top Spanish tenor Placido Domingo in Verdi's Otello, conducted by Luis Antonio Garcia Navarro, artistic director Piero Paggioni (Wed). (221 6510).

Theatre

LONDON

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

On Your Toes (Palace): Rodgers and Hart's 1936 musical is a genuine tonic. American jazz dance collides with the Ballets Russes. Gems include There's a Small Hotel, Glad to be Unhappy and the Balanchine ballet for Slaughter on Tenth Avenue. (437 6834).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

Me and My Girl (Adelphi): Sleek, efficient and enjoyable revival of Britain's biggest war-time musical hit with Robert Lindsay in the Lupino Lane role emerging as the best new musical star since Michael Crawford. (836 7611).

The Government Inspector (Olivier): Striking but unfunny revival with under-equipped TV comic Rik Mayall playing the poseur as a shrieking nose-picker. Richard Eyre's production for the NT lacks either comic tension or true delirium but, with John Gunter's imposing design of bureaucratic bumf, the show has a sort of monumental starkness as well as nightmarish tedium. New translation by Adrian Mitchell. (928 2252).

Barnum (Victoria Palace): Michael Crawford returns to London with his breathtaking performance as the circus impresario, adding one or two new tricks in a likeable meringue of a musical. (834 1317, credit cards 828 4735).

Jumpers (Aldwych): Confident almost sober revival of Tom Stoppard's glittering comedy of love, murder and linguistic mayhem among the logical positivists, with Paul Eddington a more earth bound George Moore II than was Michael Hordern, Felicity Kendal delightful as his retired musical comedy wife. Peter Wood directs. (836 6404, credit cards 379 6233).

Richard III (Barbican): Last year's Stratford-upon-Avon production with Antony Sher demonically exciting as Richard in the RSC revival by Bill Alexander. Plays in repertory with Roger Rees as Hamlet and Kenneth Branagh as Henry V. All worth seeing. (628 8795, credit cards 638 8891).

Pravda (Olivier): Entertaining epic new play by David Hare and Howard Brenton for the National Theatre in which an unscrupulous South African magnate acquires Britain's most prestigious newspaper. A Jonsonian satire on the grand scale with an irresistible performance by Anthony Hopkins as the colonial who penetrates the Establishment while a nation dithers. (928 2252).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, à la Supremes, without the quality of their music. (239 6200).

Brighton Beach Memoirs (46th St): The first instalment of Neil Simon's mix of memories and jokes focuses on a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Sunday in the Park with George (Booth): Inspired by the Seurat painting, Stephen Sondheim fashions a musical with dots and dashes of song that end too soon but work well with Tony Straiges's pretty set and James Lapine's book which changes gears in the second act. (239 6262).

WASHINGTON

Count of Monte Cristo (Eisenhower): The second production of Peter Sellars' new American National Theatre company is the James O'Neill version of this swashbuckler. (254 3670).

CHICAGO

Six Characters in Search of an Author (Goodman): Robert Brustein brings his acclaimed American Repertory Theatre to Chicago for this Pirandello classic. Ends July 14 (443 3800).

Music

ITALY

Vicenza, Piazza dei Signori: Mahler's symphony no. 9 conducted by Eliahu Inbal with the Orchestra of La Fenice (Tue). (37023)

Spoleto, Teatro Caio Melisso: Midday concert every day until end of festival on July 14. (39209 or 40265).

Rome, Chiesa di S. Anselmo: Bach organ recital by Giancarlo Parodi (Mon). Basilica di S. Sabina: Piano recital by Gabriella Cosentino. Scarlatti, Schubert, Liszt and Chopin (Wed). 631690).

NETHERLANDS

Amsterdam, Concertgebouw. Pierre-Alain Volondat performs with the Amsterdam Philharmonic conducted by Muhai Tang. Mozart, Liszt, Stravinsky (Tue). (718345).

VIENNA

Vienna Symphony Orchestra conducted by Gyorgy Lehel with Ernst Kovacic, violin. Handel, Schwetsik and Beethoven. (Tue). Arkadenhof.

Vienna Symphony Orchestra conducted by Hiroyuki Iwaki with Walter Klien, piano. Handel, Mozart and Berlioz. (Thur). Arkadenhof.

SPAIN

Granada, Patio de Los Arrayanes, Alhambra Palace. Soprano Jessye Norman in songs by Brahms, Wagner, Ravel and Richard Strauss to Richard Nunn's piano accompaniment (Mon); also in Granada Music Festival, at Auditorio Manuel de Falla: Piano concert by Hugh Tinney: Beethoven, Albeniz, Scriabin, Chopin, Liszt (Tue); Luis Claret (cello): Bach Suites (Wed). (225291).

NEW YORK

The Kings Singers (Tanglewood): Fugues, madrigals and Jerome Kern figure in the group's repertory (Wed). Lenox, Mass. (413 637 1940)

WASHINGTON

National Symphony: conductor, Leonard Bernstein. Traditional free concert on the grounds of the Capitol. Mixed programme includes Bernstein: An American Songfest, played by a sextet led by the composer.

CHICAGO

Ravinia Festival (Highland Park): The 50th anniversary season includes a variety of programmes and performers starting its opening week with the LaSalle Quartet in a programme honouring the centenary of Alban Berg's birth. (728 4642)

HOLLYWOOD

Hollywood Bowl: Oregon Bach Festival Orchestra and Chorus conducted by Helmuth Rilling. Bach St. Matthew Passion (Tue); Bach B Minor Mass (Wed).

LONDON

Nathan Milstein, violin and Georges Pludermacher, piano. Bach, Brahms, Paganini and others. Royal Festival Hall (Mon). (928 3191).

London Symphony Orchestra conducted by Neville Marriner with John Browning, piano. Verdi, Mozart and Rachmaninov. Barbican Hall (Tue). (638 8891).

MUSICAL TOURS

The 22nd festival in the Grange de Meslay near Tours. June 28–July 7, is a music lover's joy. This year the programme is given over to 20th century composers including Ligeti, Webern, Britten, Schönberg, Bartok and Berg.

Pierre Boulez will conduct Ensemble Intercontemporain and Ensemble Orchestral de Paris. Sviatoslav Richter appears with other soloists and in a piano recital.

The apotheosis will be an exceptional Boulez-Richter concert dedicated to Stravinsky. Hotel de Ville, Tours, (47) 618124, Ext 744 or 926.

Magda Hamsher

Exhibitions

NEW YORK

Metropolitan Museum: 30 objects from the period between the 1851 Crystal Palace Exhibition to the 1900 World Fair in Paris demonstrate the show's theme of Revivals and Explorations in European decorative arts. Ends Sept 5.

WASHINGTON

National Gallery. Ancient Art of the American Woodland Indians includes 151 pieces covering 5,000 years of sculpture, ceramics, copper and shell objects of the native Americans who lived in what is now the eastern half of the U.S. Ends Aug 4.

National Gallery (West Bldg): 36 old master paintings from the Dulwich Picture Gallery are exhibited under the title Collection for a King, including works by Rembrandt, Van Dyck, Canaletto and Gainsborough. Ends Sept 2.

CHICAGO

Art Institute: Though Edouard Manet made etchings primarily to reproduce and publicize his paintings, he developed a unique style as shown in the 27 etchings in this special exhibit of more than a third of his total output of 75 etchings. Ends Sept 2.

Art Institute: With 200 of Marc Chagall's works on paper dating from 1907 to 1983, this show from the Centre Pompidou in Paris makes a good study of Chagall the draughtsman. Ends July 7.

BRUSSELS

Hotel Metropole is celebrating its 90th year and in its splendid *fin de siècle* public areas, worth a visit in themselves, they are exhibiting glass and objets d'art from the Belle Epoque to Art Nouveau including works by Wouters, Gallé and Daum. Also on show are a collection of illustrated menu cards including a Press Banquet in 1893, Congo in 1898 and Sarah Bernhardt in 1896. Ends July 20.

Opera costumes from 1959 to the present including Zeffirelli's Rigoletto, Bosquet's Traviata and Karl Ernst Herreman's Clemency of Titus. Musée de Costumes et Dentelle. Until November.

Tony Cragg – a major exhibition of one of Britain's contemporary sculptors. Palais des Beaux Arts. Ends July 28.

WEST GERMANY

Munich, Staatsgalerie moderner Kunst, Prinzregentanstr. 1: German Art since 1960, 200 paintings, prints and drawings by 13 artists from the private collection of the German Prince Franz of Bavaria. Among them: Beuys, Richter and Kiefer. Ends Sept 15.

Emden, Ackhuysen-Gesellschaft, Rathaus am Delft: To honour the late Franz Radziwill on the 90th anniversary of his birth. Ends July 28.

Bonn: Rheinisches Landesmuseum, Colmantstr. 14 5300. Fairy-tales, Myths, and Monsters. 43 works by 22 European artists, among them Messager, Paladino, Schmalix, Tatafiore and Wawrin. Ends July 28.

Berlin, Gropius Bau, Stresemannstr. 110 Berlin 61: Treasures of the Forbidden Cities. Timed to coincide with this year's Berlin Horizon 85, the Peking Palace museum is coming to Europe for the first time, with roughly 120 works covering 3,500 years of Chinese history. The exhibition in Berlin includes gold, and Jade, paintings, porcelain, musical instruments and calligraphs. Ends August 18.

Cologne, Schnütgen Museum Cacilenstrasse 29: Gothic Art from Bohemia, 60 masterpieces from between 14th and 16th century on loan from the National Gallery, Prague. Ends July 21.

Düsseldorf, Städtische Kunsthalle Grabbeplatz 4: A retrospective of Rupprecht Geiger with 100 paintings from between 1945 and 1984. Ends July 21.

VIENNA

Vienna 1870–1930: Dream and Reality: The greatest names of the Viennese fin-de-siècle – Klimt, Otto Wagner, Schiele, Kokoshka, Aldolf Loos, Josef Hoffman – in a dazzling display of Jugendstil creative genius. The attempt to integrate the artistic achievements of this era with philosophical developments (notably Wittgenstein but also Freud) and political transformations (the emergence of municipal socialism on the ruins of Baroque splendour) is ambitious and only partly successful. The complex tension between autocratic and censored reality on the one hand and the illusions or fantasies of individual artists on the other is hinted at but not fully explored. A high point of the show is a reconstruction of Hoffman's room at the secession exhibition of 1902. Here, triumphantly restored, is Klimt's fifty-foot Beethoven frieze depicting humanity's progress through suffering to joy on the theme of the Ninth Symphony. Displayed exactly as intended, this alone is worth a special visit. Kunstlerhaus. Ends October 6.

SWITZERLAND

Martigny: Fondation Pierre Gianadda: 250 Klee paintings in the striking modern gallery built over the Roman ruins of the city of Octodurus. Ends Nov 3. (026/23978).

ITALY

Venice, Palazzo Fortuny: Toys for the science-fiction era, showing how vastly more sophisticated robots have become, since first produced in the 1950s. Ends Jul 14.

Florence: Museo Archeologico (Piazza SS. Annunziata) – The Etruscan Civilization: This is the first of a long series of exhibitions to mark The Year of the Etruscans, and shows the results of the most recent research into the Etruscan world. A useful history of this civilization's birth, development and decline. Ends Oct 20.

Rome, Appartamento Barbo – Palazzo Venezia: "Eleonora Duse e il suo mito" (The Woman and the Myth) Photographs, theatre programmes, reviews and clothes (including the Crinkley Fortuny fabric) worn by La Divina. Ends July 7.

SPAIN

Madrid: Palacio de Cristal and Palacio Velazquez, Parque del Retiro: Spanish sculpture 1900-36. Sculpture and drawings by Picasso, Miro and contemporaries. The selection includes two works featured in the 1937 Paris exhibition, at the height of the Spanish Civil War, and now shown in Spain for the first time: Picasso's Femme du Vas and Julio Gonzalez's La Montserrat. Ends July 30. (274 7775).

Madrid: Sala de la Caixa de Barcelona, Velazquez 63: Salvador Dali, a retrospective of his work as an author and illustrator of books, with 300 engravings and lithographs and 200 drawings. Ends July 16. (431 2017).

Madrid, Museo del Prado: Raphael in Spain. An exhibition to commemorate the 500th anniversary of the renaissance master's birth, including his masterpiece The Cardinal and others highlighting his influence on Spanish artists. Closed Mon. Ends July 15.

Barcelona: Fundacion Joan Miro: Works by 45 Russian avant-garde artists from the Ludwig collections in Cologne, covering the period from 1910 to 1930 and including the most representative masters of neo-primitivism, constructivism and suprematism. Ends July 7.

LONDON

The Tate Gallery: *Francis Bacon,* Britain's greatest living painter accorded the rare distinction at the age of 76 of a second full retrospective exhibition at the Tate, 20 years after his reputation as an artist of world standing was first put beyond all doubt. Now we see him no longer as a unique and extraordinary figurative, surrealist expressionist, but as an artist who has come at last into his own, as younger painters have come round again to the human figure as the central, creative preoccupation. As the subject matter is now more acceptable, so his peculiar and tormented re-invention and reconstitution of the figure no longer shocks. Ends Aug 18.

PARIS

Corot to Picasso. The range of French 19th and 20th century masters assembled by the art merchant Robert Schmit comprises an important Degas pastel La Conversation and a Van Gogh, unusual both for technique and the theme of the Seine. On the first floor the sunshine comes in with Vuillard, Bonnard and Dufty. Picasso's Large Buste d'Homme faces an equally large Braque still life. There is a dream-like Balthus landscape and a strong blue, red and white one by De Staël. Galerie Schmit, 396 rue Saint-Honoré (260 36 36), closed Sun and from 12am-2pm. Ends July 20.

Cinema/Nigel Andrews

Rabble without a cause

Mrs Soffel, directed by Gillian Armstrong
Mask, directed by Peter Bogdanovich
Restless Natives, directed by Michael Hoffman

If it is Wimbledon fortnight on television, it is usually simpleton fortnight in the cinema. Each midsummer the sound of ball on racket is echoed by the sound of critics hitting their heads despairingly against walls in West End preview theatres. Assuming shrinking audiences, distributors tend to send out their most dubious movies at the end of June. This week's Hollywood duo, *Mrs Soffel* and *Mask*, yield the sight of high talent flapping bravely in a void of content. And this week's British film *Restless Natives*, set in Scotland, is void of both talent and content, being the worst film I have seen from either side of the border in recent memory.

Mrs Soffel is one of those foolproof-on-paper movies in which a good director, Australia's Gillian Armstrong (of *My Brilliant Career*) teams up with a gleaming star, Diane Keaton, in a true-life tale combining action, passion and rich character conundrum. In the murky morning of this century (1901) a prison governor's wife (Keaton) elopes with an escaping prisoner (Mel Gibson) and the pal (Matthew Modine) with whom he was jailed for robbery with murder.

The three are pursued to chilliest Canada where the runaway romance is ended by a posse bearing shotguns. The men die, the woman returns to her almost broken marriage with a completely broken jaw.

Cher and Sam Elliott in "Mask"

Armstrong and her cameraman, fellow Australian Russell Boyd, soak the early scenes of this yeasty-sounding yarn in a voluptuous darkness. Deep, smokey blues and blacks swathe Keaton as she shuttles between family life in the governor's quarters, where the egg-yolk light of lamps illumine the daily meals, the daily prayers, the daily embroidery, and her Bible-reading sorties in the prison itself. As this Florence Nightingale of the hoosgow reads her devotional reams to Mr Gibson, love grows through the bars like a forbidden creeper, enacted in rustling gestures, stray touches and flowering oeillades.

But the grander the film's early visual wrapping and amorous mime, the sillier it seems whenever the characters open their mouths — as they increasingly do. We never quite believe, for all her breath-catchings and gasps and hands-touching-hair, in the psychological whirrings that turn Keaton from a Bible-thumper into a fool for love.

One they hit the great outdoors, things get worse. Pursuit action and romantic idyll nervously alternate, and the audience's baffled questions outnumber the movie's answers. Why on earth, for instance, do the governor and the police assume—without the evidence we have had of prior canoodling — that Miss K has eloped with the runaways rather than that they have taken her hostage? This is a film with no motor of credible motivation beneath the rhetoric of of its visuals, no beat of detailed truth in Keaton's central performance which might turn mannered emotionalism into believable emotion.

*

Mask, another true-story movie, is a mirror-written *Mrs Soffel*. All its problems are reverse ones. Here there *are* strong characters and performances. Eric Stoltz is gustily likeable as the boy with face made hideous by "lionitis" (a deforming bone diseast) who battles bravely with social ostracism, the taunts of schoolmates and the grim certainty of his own early death. Cher is feisty and lovable as his bottle-swigging, pill-popping Mum who has a heart of gold (well, platinum at least) beneath the bad habits. But there is no visual élan to pull this slim, touching yarn out of made-for-TV, mini-movie style into a film with big-screen buzz and beauty.

Director Peter Bogdanovich guides the story plainly through its sentimental-martyrdom paces —the boy's cheerfulness in adversity, his love for a blind girl, his mother's bursts of care alternating with jags of drink and drugs, the Hell's Angels flotilla in which Mum and son mingle as happy outcasts from "conventional" society (were ever Hell's Angels really as *nice* as this?)—and the plainness pays off in some offbeat humour, some fresh naturalistic playing. But whenever *Mask* tries to drum deeper feelings, the feelings sound thin and tinny. Bogdanovich never makes the story resonate in the richer dimension of myth or fable (like, for example, *The Elephant Man*) and the film remains a television-size problem pic with television-size emotions.

Restless Natives won for Ninian Dunnett, its writer, the Lloyds Bank National Screenwriting Competition last year: which makes one cast yet another nervous glance at the City and its soundness of judgment. The film seems completely bankrupt of wit, flair or originality. We follow the antics of two Edinburgh youths (Vincent Friell and Joe Mullaney) who set out on a highway robbery spree. Donning toyshop masks; they become the "Clown" and the "Wolfman." They clean the invading Yanks in their charabancs of watches, jewelry and ready cash (with remarkably little resistance since they wield what are visibly toy guns) and are soon hailed as Scotland's biggest tourist attraction since Rob Roy.

Bill Forsyth's wristy wit and mischief might have spun some fun from this would-be spinning top story. Under director Michael Hoffman's influence it lies lopsided and inert amid the general toyroom carnage of limply winsome performances, hope-for-the-best photography and misfired slapstick.

Suburbia, a rank outsider, moves up on the inside rails to become the best film of the week. Writer-director Penelope Spheeris puts down on screen a group of punks, weirdoes and juvenile misfits, sets them at loggerheads (in the derelict house they have crash-squatted somewhere in L.A.) with the local police and intolerant neighbours, lights the blue touch-paper and retires to see the screen blow up into a tragicomic *walpurgisnacht*.

This rabble without a cause is portrayed with a hilarious mixture of the ferocious and forlorn. Who could resist the scene where they sit clustered round a glowing telly while a commercial intones, "Are you experiencing feelings of alienation or depression?" Audiences should feel neither. This is *The Young Ones* (Mayall not Richard) transferred to the land of the vibrant shoestring B-movie. It has a narrative momentum that *Mrs Soffel* could learn from, a lack of sentimentality that *Mask* could learn from and a comedy of outcast youth that *Restless Natives* could learn from.

The Tempest/Ludlow Castle

B. A. Young

The Tempest seemed an apt choice for this year's Shakespeare in Ludlow Castle, but at teatime the sky miraculously cleared and by 8.30, when the theoretical curtain rose, there was not a cloud in the sky. When Caliban chattered about the man in the moon, we were able to look over our left shoulders and see what he was talking about. Certainly the wind stayed icy but Ludlow Festival audiences are the most patient in the world and so they should be in such surroundings.

Philip Grout's production begins in an unfamiliar and unwelcome, way with a ship's concert upstage, before a thunderclap signals a sound-storm which drives the crew and the passengers into some not too convincing staggers. Mr Grout has underlined all the comedy in the play, as a glance at the cast-list will suggest.

Bernard Bresslaw's Prospero has about him a faint suggestion of a successful music-hall magician. He is friendlier than any Prospero I can recall; he says "My foot my tutor" as a question rather than an exclamation. The anger in his final confrontation with his victims is the menace of an examining Intelligence agent.

On the other hand, he offers little affection for Ariel, who has earned some not only from Timothy Roland's likeable performance, but from his apparent indifference to the razor-keen air that his tenuous garments can have done little to mitigate. When Ariel, liberated at last, hops over the front of the stage and disappears among the seating, Mr Bresslaw follows him up into the air with his eyes, and so do we. Mr Roland does all he can with the songs, but has hardly a strong enough voice.

With Miranda, Prospero almost seems a playmate, and lucky he, for Sarah-Jane Varley, looking no more than 15, is as attractive as she is clever. She and James Coombes's youthful Ferdinand make a pleasant pair. Mr Coombes is another victim of the weather, for Prospero, or Philip Grout, or Sean Cavanagh, the designer, makes him strip to the waist to bring in the firewood, a state that no way lowers the warmth of his lovemaking.

The two clowns Stephano and Trinculo are given a smart polish in a notable double act by Sylvester McCoy and Jim Norton. They make their jokes as if they were brand-new, and are helped by simple visual jokes — they like, for instance, to lift people up through the traps by an invisible rope round the neck. Frank Windsor's Caliban plays along with them as if he came out of the same box. His ragged kit is all that is physically monstrous about him, except, apparently, his fish-like smell, of which much is made.

Among the Milanese and the Neapolitans, only John Clegg's gentlemanly Gonzalo specially impressed me. His speech proposing to turn the island into a Channel Four ring to it. Their Channel Four Ring to it. Their costumes (uncredited in the programme) suggest the late 18th or early 19th century. Mr Cavanagh's stage design centres on a hut like a scale-model of the Pyramid of Gizeh; it opens like a blossom to reveal the goddesses, or the harpies disguised as a buffet-bar, or Ferdinand and Isabella playing chess. Lights, and the required thousand twangling instruments, impinge from the great towers surrounding the stage. It is all deeply enjoyable.

Hansel and Gretel/Polka Children's Theatre, Wimbledon

Michael Coveney

Humperdinck's opera has been butchered to a running time of 70 minutes at the Polka Children's Theatre in Wimbledon (still supported, I am glad to report, by Sainsbury's) and offered as a sugared pill to the under-12s. Accompanied only by John Kember at his monotonous synthesizer, the show falls disastrously between the stools of operatic high intentions and the easy charm of the average Polka presentation.

All the recitative is done away with and the songs of the Sandman and the Dew Fairy reallocated to the Forest Trees and Gretel (Vanessa Bond). Oddly enough the terrifying elements in the Grimm story—a village on the brink of starvation and children vanishing in droves down by the strawberry patches on the Ilsentein River—went for very little in Richard Gill's production. Even the climactic incineration of the Witch (played with a pantomime cackle by Tony Holtham) drew not a single cheer at the morning performance I attended. The audience came to life only when Hansel (Malcolm Lord) either fell off a stool or uttered the dependable expletive "pooh."

The witch in flight to and from the pink gingerbread cottage is represented by a puppet on a broomstick, the sort of effect the Polka does well. And the forest is pleasantly occupied by puppet wolves, foxes and cawing ravens. When Hansel and Gretel bed down for the night on losing sight of a receding path glimpsed in twinkling perspective, eight angelic white figures fly into the coppice in symmetrical formation.

The title characters, as well their impoverished broom-making parents, are in the hands of trained singers. Harry Coghill's father, in fact, is a booming bass who put the wind up me, let alone the children. But when it comes to children and theatre or opera, I think there should be no concessions, not that I would recommend a complete *Hansel and Gretel* to their attention anyway. An eight- or nine-year-old child is as capable of enjoying, say, *A Love of Three Oranges* or *A Midsumer Night's Dream* as he is *Forty Second Street* or *Starlight Express*. To offer children crude snippets on the cheap is to underestimate them at least and to patronise them at most.

New York Theatre/Frank Lipsius

The mensch, the mayor and odd nebbishe

At a time when terrorism and the hunt for Mengele cast a 40-year-old shadow over the news, two new off-Broadway productions give contemporary life in New York a buoyancy that is only incidentally and yet essentially Jewish. Each bristles with humanity and hilarity.

In Nat Moyer, playwright Herb Gardner creates an 81-year-old *mensch* with warmth, charm and incisive wit. *I'm Not Rappaport* at the American Place compounds these virtues with a clever plot and an equally affable and attractive antagonist, Midge, an old black man too proud to give up work as a building superintendent. Most writers put their ambitions into story lines, but Gardner has the sense and ability to drop in a plot like a rippling stone while diverting the audience with ambitious dialogue about anything from contemporary youth to muggers ("Cossacks" like the ones who persecuted Nat's ancestors in the old country).

Rita Moreno and Sally Struthers in "The Odd Couple"

When Midge's building goes co-op—as contemporary a subject for New Yorkers as hijackings—the new owners try to fire him only to find Nat able to put on the mantle of a rabble-rousing lawyer and to threaten them with retribution.

Judd Hirsch brings just the right balance of vigour and stooped shoulders to the role of Nat and he is well matched by Cleavon Little's Midge. Director Daniel Sullivan obtains maximum mileage out of small gestures transmitted on Tony Walton's graceful design of a Central Park walkers' bridge vivid with autumn-coloured hues. Gardner, author of *A Thousand Clowns*, makes the story seem like a bonus on top of his portraits of two endearing old men who are old-fashioned the way well-constructed plays with wonderful characters, relevant themes and rewarding plots are old-fashioned.

The other Jewish play is about a real person, and its major drawback is a reluctance to rely sufficiently on its subject—Mayor Koch. Based very loosely on the mayor's autobiography, *Mayor*, at Village Gate Upstairs, is a musical revue with clever songs that are as much about the city as the man. One monologue strikes home to all the locals, with its theme of the crazy parking regulations that force New Yorkers to look for alternative side of the street parking each day.

The mayor is shown in an endearing version of his combative self, cavorting with real estate magnates Leona and Harry Helmsley, city comptroller Harrison Goldin and Cardinal O'Connor (who tries to fit in at a fund raising dinner by mentioning a "nish" when he means "knish"). The good-natured banter becomes pointed when the mayor and his nemesis, city council president Carol Bellamy, dine alone and separately describe each other in exactly the same terms to relatives trying to make a match of the two bachelor politicos.

At the Broadhurst, a female version of *The Odd Couple* cuts the heart out of one of Neil Simon's best plays. The jokes are there along with designer David Mitchell's accurate Upper West Side setting where Sally Struthers moves in with Rita Moreno on the breakup of her 14-year marriage. But with poker turned into Trivial Pursuit and new dialogue built on the old plot, what was once another monument to Jewish nebbishes capable of rising to tragedy has become in Gene Saks's production a bland Yuppie landscape with characters designed for the jokes, not the other way round.

Holloway's Serenade, Nash Ensemble/Wigmore Hall

Max Loppert

Robin Holloway's Serenade in E flat, Op 57, for 10 instruments (wind quintet and string quintet) was given its first performance by the Nash Ensemble, conductor Lionel Friend, at the Wigmore Hall on Wednesday.

It is one of those Holloway works that will no doubt delight the predisposed and infuriate the ill-disposed, for it culls a luscious, brightly-coloured assortment of the composer's various pleasures in past music, and then proceeds to arrange its chosen blooms in an insouciant, take-it-or-leave-it manner that lends a curious fascination to the whole bouquet.

The three-movement structure is 'classical"—or rather, cubist-classical(as Holloway's characteristically elegant programme note puts it). The first movement, which articulates a Haydn-like progression from slow introduction (later to be recalled) to *allegro* main argument, raises all sorts of expectations the fulfilment of which comes slightly askew—and never quite when or where one imagines it will come. The use of keys (C minor dominates the opening, E flat takes over only later) posesses a powerful Mozartian suggestiveness: so too the pellucid scoring. Yet the cut of Holloway's sentences and paragraphs implies, at the same time, a late-20th century intricacy of attitude to the chosen material: the blend of wit, self-indulgence, and assiduously cultivated self-awareness produces a flavour entirely peculiar to this composer's music.

In the slow movement, a Barcarolle, the imprint of Strauss's late 'workshop" chamber pieces lies strong upon the sequences, which unfold in so lush a spirit of E flat lyrical euphony that at any moment one expects queasiness to set in. It never does, quite; nor does it in the "comic-opera" finale, *Rondon buffo*, for throughout the work Moloway's command of harmonic rhythm ensures a continual under-cutting of easy predictability.

A curious 20 minuts, then: I enjoyed them greatly, in the self-conscious, ever-so-slightly guilty mood remembered from the experience of previous Holloway chamber compositions. The concert, which devoted its second half to the Mozart B flat Serenade, K361, had begun with Tippett's Sontata for four horns (John Pigneguy, Michael Thompson, Anthonuy Halstead, Colin Horton): not perfectly delivered but immensely bracing.

'Gigi' for the West End

Alan Jay Lerner and Frederick Loewe's musical adaptation for the cinema of Colette's novel *Gigi*, has been rewritten as a stage musical and will open at the Lyric Theatre, Shaftesbury Avenue on September 17 with previews from August 31.

Taking leading roles will be Beryl Reid, Jean-Pierre Aumont, Sian Phillips and Geoffrey Burridge with Amanda Waring as Gigi.

Saleroom/Antony Thorncroft

Furniture polished off

The salerooms were hyperactive yesterday, with sales geared as much towards overseas visitors here for the London season as from local buyers. Christie's auction of English furniture was aimed at the British market and did reasonably well, with a total of £1,738,422 and 16 per cent unsold.

The main casualty was six George II side chairs which have graced houses as grand as Ditchley Park and Mereworth Castle and which sold in the same rooms in 1968 for £2,200. The vendor was looking for around £70,000, but the bidding petered out at £65,000, and they were bought in.

But a set of six George II giltwood side ihairs from the same two nouses found a buyer at £124,200 (as against £2,200 at Christie's in 1981) and a pair of George II giltwood pier tables, whiih had been at Lowther Castle in Cumberland, sold for over double their estimtae at £118,000. The same buyer paid £81,000, twice forecast, for a pair of George II grey painted and parcel gilt mirrors which had been part of the Wateringbury Place sale in 1978 when they went for £12,000.

In Christie's print sale Light, the American dealer, bought an albom of Dutch and Flemish landscape enyravings and etchings oft he 17th centory, 194 in all, for £113,000, around double the estimated price.

There were three major sales at Sotheby's. Contemporary paintings totalled £1,389,510, with 24 per cent bought in, average for this market. The top prices were £72,600 from Rennes Fine Art Museum for "Composition 1949" by Nicolas de Staeul, and £57,000 from Seibu of Japan for "Table Fauve by Duxuffet.

Works by Matta and Fontana both sold for £55,000, and the Manchester City Art Gallery paid £39,600 for "Peter C," an oil on two canvasses by David Hockney, painted in 1961.

A First World War Victoria Cross, awarded to Drummer Bent in 1914, was bought for £12,100 in a medals auction, and a group of orders and medals awarded to Field Marshal Sir Richard Dacres made £8,800. Afttr forty years in the army with no active service Dacres was involved in the Crimean War where he was in charges of the artillery.

An auction of travel, atlases, maps and books totalled £425,678 with 15 per cent unsold £425,678 with 15 per cent unsold. A first edition, and presentation copy, of the astronomer Tycho Brahe's major work, with contemporary colouring, realised £57,200, and a composite atlas of town plans and regional maps by Jollain, mid 17th century, made £27,500

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Clearing the financial fog

CAPTAINS of industry and Conservative chancellors are supposed to rub along together quite nicely—at least that is the theory. Yet this week, Sir Terence Beckett, the director-general of the Confederation of British Industry, while not exactly challenging Mr Nigel Lawson, the Chancellor, to a bare knuckles fight, showed clear exasperation with the recent thrust of Treasury thinking. British manufacturers which, at best, have enjoyed a partial recovery from the 1980-1981 slump will be put under severe strain, he argued, if UK real interest rates remain for much longer at 5½ per cent—higher than in any major competitor country.

Mr Lawson seems equally exasperated with Sir Terence—the CBI's chief's call for a 2 percentage point cut in interest rates "for starters" has clearly hit a nerve. Industry, Mr Lawson seemed to argue on Wednesday, has never had it so good: corporate profitability in 1984 was the highest ever recorded. The corporate sector is running a £10bn surplus. If companies are worried about costs, then rather than whingeing about high interest rates, they should slow down the rate of growth of earnings, now running at 9 per cent in the private sector, and give the unemployed some hope of work.

Surpluses

In truth, the corporate sector's health is harder to gauge than either Mr Lawson or Sir Terence might care to admit. The Chancellor is stretching the facts when he claims that profitability is at an all-time high. A Bank of England analysis published this week shows this is only true if the enormous impact of North Sea profits is included. Non-oil companies are earning a real return of 6-7 per cent—roughly the rate earned during the Healey/Callaghan recovery of 1977-78 and a far cry from the real returns of 10-12 per cent enjoyed in the 1960s. Sir Terence could fairly argue that while the bulk of companies have seen a recovery in profits, there is still some way to go.

The notion that most British companies are awash with huge financial surpluses is also probably a fiction. Both Bank and Treasury officials concede that a financial fog has descended over the corporate sector. The latest figures may suggest an aggregate surplus of £10m but they also reveal a gaping £10bn hole left by errors, omissions and unidentified transactions. Nobody knows for certain what is happening. As the Bank suggests in its Bulletin, profits may be overstated because "insufficient weight is being given to loss-making companies and/or to small companies which are perhaps less profitable than the average." Alternatively, the Bank suggests, companies may be investing more overseas or at home than the official figures imply.

But the most obvious implication of a simultaneous build-up of liquid assets and bank borrowing, when overall profits are buoyant, is that individual companies and sectors are experiencing, as the Bank puts it, "widely different economic circumstances." In the last two years, for example, the net liquidity of manufacturing companies has fallen very sharply. Thus, while some companies enjoy the security of large cash mountains, others may be excessively geared as they attempt to finance expansion after hte recession. In spite of the macro figures, Sir Terence may thus be quite justified in worrying about the impact of 5½ per cent real interest rates.

Justified

Mr Lawson might accept this but his real worry is that high pay awards threaten his attempts to reduce both inflation and unemployment. However, while the Chancellor is fully justified in his efforts to talk down the going rate of pay settlements, he would be on thin ice if he went further. Politicians and officials must accept that in the last analysis management on the ground is the best judge of what companies can or should afford. The fact that remains that, after a long decline, the share of profits in GDP is now rising: the Bank's figures suggest profits have risen roughly four times as fast as income from employment in the past four years. Practical businessmen recognise there is a limit to the rate at which owners of companies can gain at the expense of employees — and it may have been reached.

To encourage job creation, Mr Lawson could stress that a huge gap, by historical standards, seems to have opened up between companies' retained profits and their investment. On average, British industry could be investing much more than it now seems willing to contemplate: higher investment and a higher share of overseas markets would be a direct route to higher employment.

Italy: so far, so good

ITALY is in a better position than for many a year to sort out its chronic economic and political ills. The open question is whether the country's leadership will make the best use of this opportunity.

Progress made in the economic sphere is noted in the report on the Italian economy published today by the Organisation for Economic Co-operation and Development. It records that growth resumed last year and that the inflation rate has come down. But equally it points to the negative side. Inflation is still too strong for Italian competitiveness. The general government borrowing requirement, at 13½ per cent of gross domestic product, is too high.

Closely linked to that, a wasteful pensions and welfare system is crying out for reform. A large state-controlled sector of Italian industry has been pampered with subsidies. It has also provided vehicles for much undesirable political patronage.

Yet on the other side of the industrial ledger, several of the leading private Italian concerns have recovered from a bad spell in the late 1970s and early 1980s. Fiat, having won a confrontation with fractious unions which eventually forfeited the support of the workforce, is performing strongly. Olivetti has come out of the cold.

Smoothness

On the political side, much of Italy's recovery is associated with Sig Sandro Pertini, who is about to retire as President after having completed his seven-year term. Sig Pertini, with his reputation for straightforwardness and plain dealing, has done much to restore some public respect for Italian public institutions. It is not an easy thing to do in a country whose people have a notorious suspicion of all those in political authority.

The almost unprecedented smoothness with which President Pertini's successor, Sig Francesco Cossiga, was elected provided further evidence that things in Rome are not as hopeless as they once seemed to be. The endless wrangling which accompanied most previous presidential election had made the politicians a laughing stock.

Sig Cossiga's personal reputation also contrasts favourably with the less savoury side of Italian political life. But the significance of his election transcends the merely personal. It provides evidence of an unusual consensus not only among the government parties, from the Christian Domocrats via the smaller centre and right-of-centre groups to the Socialists, but extending even to the Communist opposition. The only significant (and welcome) omission is that of the neo-fascist MSI.

Maturity

There was none of the infighting which might so easily have wrecked the coalition Government of Sig Bettino Craxi, the Socialist Prime Minister in office since August 1983, almost a record tenure. Constitutional propriety will require him to resign when Sig Cossiga comes in to re-form his Government. The Christian Democrats are expected to increase their influence in the cabinet which should contribute towards stability. They are, after all the largest party and made progress in the regional elections of this spring. The danger is that they might be tempted to overplay their hand.

Not only the behaviour of the politicians provides evidence that Italy may have turned over a new leaf. The electorate showed remarkable maturity when, in the recent referendum, it turned down a Communist proposal to restore full wage indexing. That amounted to voting against an immediate wage rise.

The police have made unprecedented progress in the battle against the Mafia in Sicily, though the snake has only been scotched, not killed. A lasting success against the Mafia and similar organisations of violence and corruption would make an enormous contribution towards curing many of Italy's ills.

Similarly, the main work of putting the economy right and of restoring the standing of the state among its own citizens remains to be done. The next important elections are due in 1988, leaving almost three years to come to grips with these tasks. That opportunity ought not to be dissipated by a return to unproductive battles for patronage and short-term political advantage.

EUROPEAN LABOUR FLEXIBILITY

It's a revolution of sorts

By Brian Groom, Labour Staff

Philip Thompson

Union confrontation European style (left and right) . . . meanwhile in Japan.

AT FIRST GLANCE, it looks like a revolution. European managements are bending themselves and their workforces into new, more flexible forms of thinking and working in an effort to improve labour efficiency.

An emerging breed of multi-skilled superworkers trained to operate and maintain automated equipment at plants like Peugeot in Mulhouse and Poissy, SKF in Gothenburg, BMW in Munich, and Esso Chemicals in Mossmorran, prides itself in being up with the world's best.

Employers like Philips at Roulers, West Flanders, are devising shift patterns to extend the operating time of expensive capital equipment. Rank Xerox in the UK has pioneered "networking"—in which employees leave the staff and turn themselves into limited companies, selling their services to RX and other customers.

The sheer number of topics on company agendas looks revolutionary: multi-skilling, training, flexible working time, parti-time and temporary work, subcontracting, homeworking, communications and employee involvement, quality control, performance-related pay, profit-sharing, blue- and white-collar harmonisation, and decentralisation of management structures and collective bargaining.

The reality, of course, is less radical. The hopeful sign is that managements are talking about these issues. But actual progress is patchy, many of the changes are in their infancy, and much of Europe remains dogged by a sense of inferiority against Japan, the U.S., and lower-wage but increasingly productive Third World competitors.

A growing number of companies is at least getting to first base: the realisation that labour efficiency is a management problem. Those who pin their hopes on a transformation of employee attitudes or government moves to unshackle labour markets will soon go to the wall.

"We have to live with the labour laws as they are," says M Henri Debuisser, international personnel director at Rank Xerox. "I can't be happy with any rigid system, but we are a multinational and we can't change these things."

He warns: "Flexibility is not management doing what it wants, when it wants, where it wants with the workforce. It's an attitude of mind in a corporation. Management itself must be mentally flexible."

RX has had failures and successes: problems in Italy in turning service engineers into salesmen, so displaced workers from refurbishment plants could become service engineers; but success at a Dutch plant in dealing with an overstaffed administration by redeploying 470 people so that a draughtsman, for instance, would become a quality inspector.

"The biggest job we have is not with manual workers but with the manager who is going to employ him. He may have formed inflexible habits," says M Debuisser. RX has improved production costs, product quality and sales networks. The contribution of workforce flexibility, as ever, is hard to quantify — it is an enabling element.

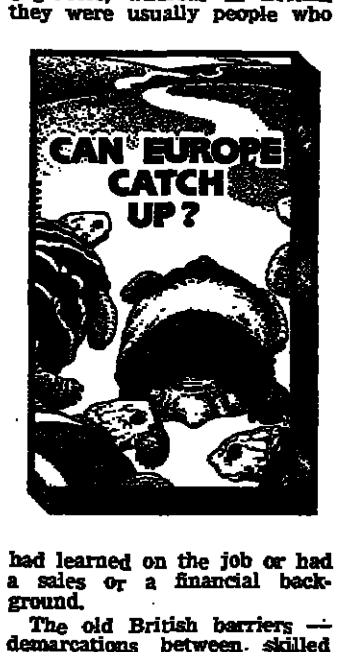
The director of a British fibres company said: "Where unit pack failures stop a machine our guys think they're doing well if there were only 28 stoppages this week, compared to 30 last week. But they are measuring themselves against the wrong standards. They have zero unit pack failures in Japan."

He does not blame the workers. Productivity, he says, is a management issue because management sets the standards, just as traditional shopfloor demarcations are encouraged by demarcations at the top, for instance between engineering, technical and production directors. Managers set standards for quality, too.

More companies are realising that doing simple things well is crucial. In Sweden, SKF, the multinational ballbearing group, has halved resetting times on machines — "basically," says Mr Staffan Andreason, executive director of SKF Norden, "by planning and being smart, ensuring that all your hand tools are there so you don't have to run and find them during the resetting."

Doing simple things badly is a major British problem. A recent article in the National Institute Economic Review compared 45 British and German manufacturing plants with similar machinery and manning levels, and found the German labour productivity 63 per cent higher — mainly because of the low technical competence of British managers and workers, which led to frequent machine breakdowns, poor maintenance procedures and inadequate attention to quality control.

British foremen, who mostly lacked any formal qualifications, were inferior to their German counterparts, who nearly all had the higher certificate of Meister (this involves technical skills and proficiency in staff supervision and work organisation). German production managers were normally graduate engineers, whereas in Britain they were usually people who



had learned on the job or had a sales or a financial background.

The old British barriers — demarcations between skilled and unskilled workers, and between different skilled trades — are breaking down in the face of new technology, but only slowly.

The problem has never existed to the same extent elsewhere in Europe, but changing job definitions can still present a challenge. Proposals by SAS, the Swedish airline, to have check-in counters staffed by administrators at peak hours in Norway, Denmark and Sweden may well prove difficult to "sell" to employees.

There is no room for complacency. M Jose Bidegain, senior vice-president of St-Gobain, the French glass and industrial group, says some plants are moving towards a system whereby workers can both operate and repair robots. "It's just beginning," he explains. "We are trying, but we are too late to catch the Japanese."

How can Europe improve the level of competence and skills? Several companies are looking towards the flexibility which the big Japanese manufacturers achieve while providing lifetime employment for their "core" workers.

Daf Trucks of the Netherlands introduced an average 36-hour week two years ago in preference to sacking 800 workers for the first time in its history. It believes dismissals are expensive, disturb internal relations, and are inappropriate to European culture.

The 5,500 workers had to forgo pay rises, and have accepted different daily hours for manual workers and staff so that Daf does not lose productive time. Daf raised spending on training to 2½ per cent of payroll and moved towards group working, giving teams of workers discretion over things like control of materials supply and covering for absence.

Absenteeism has dropped from 16 to 5.5 per cent in four years. But though Daf does not yet face direct Japanese competition, it knows its annual 4 per cent productivity improvement is below the 6-7 per cent achieved by Japanese manufacturers. "We have to speed-up and we will," says Mr Frank Sweens, board member.

Thorn EMI Ferguson, the UK television maker, surveyed Japan in 1982 and found that though its technology was competitive, there was much to learn about human relations. Hiring permanent workers at peak times only to fire them later, damaged efficiency, because the threat of sackings damaged morale. Now Ferguson is trying to maintain stability by more subcontracting, using short-term contract workers at peak times, and diversifying the product mix in factories to protect the permanent workers from sudden slumps in workload.

Mr Jim Donovan, personnel director, claims Ferguson has made "reasonably significant progress." Other moves include harmonising the conditions of manual workers and staff, strengthening communications briefings, and moving towards multi-skilling, for instance, by training fitters in electrical work.

Some unions and academics see a conflict between moves by governments to ease dismissal laws, and by big companies towards job security. But the two developments are not necessarily contradictory. It is small companies which claim they need easier hiring and firing, while bigger ones usher in a Japanese-style, two-tier system of secure "core" workers and low-paid, less-skilled peripheral ones, often temporary or part-time.

Skill shortages in Britain, France, the Netherlands, Sweden and elsewhere highlight perhaps the most crucial issue facing European industry —training. There are even some shortages in Germany, where the "dual system" of classroom and on-the-job training remains the envy of Europe, despite problems over the speed of its response to changing technology.

Some improvements are now under way, such as Britain's decision to extend the Youth Training Scheme, reform apprenticeship standards and increase vocational education, and the growing commitment of major companies in France, the Netherlands and elsewhere to provide more training. But there is a long way to go. Small and medium-sized French companies, for instance, are lagging well behind.

Employers complain that youth pay rates, often set by law, are higher in most countries than in Germany—but sometimes this becomes an excuse for doing nothing. Japanese companies spend up to 4 or 5 per cent of sales on in-company training compared with less than 0.5 per cent at most UK companies. U.S. employers spend five times the average amount spent in Britain.

Employee involvement, quality circles, and communications are areas in which a growing number of companies are trying to win greater commitment from their workforces. UK companies are briefing employees on business aims in face-to-face meetings. French employers are increasingly using direct communications to supplement the statutory consultative bodies —a technique they see more as a means for resolving conflicts than for getting their message across.

The "quality of working life" school, which holds that improving the job satisfaction of workers is a better route to new forms of work organisation—based on the premise that improving job satisfaction is a better route to efficiency than boring, repetitive work—probably still cover only a small proportion of workers, except perhaps in Sweden.

More companies are developing wage systems relating pay to performance criteria like quality and skills rather than the traditional crude output bonuses. There is some interest in profit-sharing. But European employers have nothing like the amount of flexibility provided by the Japanese bonus system, which makes up 30 per cent of a worker's earnings.

Working time is being widely reorganised across Europe. The settlement of last year's metal-workers' dispute, for example, allowed German companies some flexibility here. At Siemens in Munich, a key group of 100 prefabrication workers is working shifts of six days a week, with every fourth week off, to make enough parts to allow the other 2,500 workers keep up full production.

Many engineering employers, however, may not be making full use of their ability to vary weekly hours between 37 and 40. It is just a start, they say. When hours were cut two years ago in the Netherlands, only 50 per cent of companies were able to reorganise working patterns well enough not to lose operating time.

A revolution of sorts is going on in Europe. The world of work is changing faster than for decades. But it is doubtful whether this is happening fast enough for its enthusiasts. While it takes shape, competitors are not standing still.

Previous articles appeared on June 17, 19, 21, 24 and 27. The next will be published on Monday.

Men and Matters

Ombudsman for banking

Tucked among the financial jobs column this week is an unusual employment opportunity — that of banking ombudsman.

Seventeen UK banks agreed in February to create the office of an ombudsman for the industry—along the lines of the independent arbiters already established for parliament, local government and the health service — to deal with the rising tide of complaints from banking customers.

The banks are advertising for someone to fill the post because, according to the Committee of London Clearing Bankers, "we want to be sure that this is all open and above board."

With the same object in mind, candidates with significant previous connections with the banking industry will be precluded.

The ombudsman will be responsible not to the banks, but to an independent council consisting of two people representing the public interest, two the banks, and an independent chairman.

The council will also appoint the ombudsman. But since the council itself will not be set up until the autumn, headhunters Tyzack and Partners have been asked to prepare a short list in the meantime.

The advertisement invites applications from men or women (or even nominations) "with a strong legal background and the authority and personal stature successfully to achieve settlements in issues of widely differing degrees of complexity in a position of high public exposure."

"Maturity," it adds, "will be an asset."

Salary is not being mentioned at this stage but the banks have said they are prepared to pay the rate for the job, whatever that may be.

Wishful thinking

On the day that the Bank of England issued another stern warning on the outlook for prices, the Government's National Savings department seemed blissfully unaware of the inflationary risks of higher pay awards.

Marketing its new issue of index - linked certificates — designed to protect your cash against rising prices — the department highlighted a new feature which it expects to boost their appeal to investors.

The Government is now promising that if prices start to fall—yes, fall rather than rise less quickly—holders of the certificates will not find their capital reduced by a corresponding amount.

Even Mrs Thatcher is not that optimistic.

King Peter

Peter Lougheed, retiring Premier of the Canadian province of Alberta, is unlikely to keep a low profile when he leaves "the best job in the world" for the private sector.

Known as "King Peter," Lougheed has been western Canada's most powerful voice in national politics since taking over as leader of oil-rich Alberta 14 years ago. He spearheaded opposition to the now defunct energy policies of the Trudeau government in Ottawa and played a key role in securing the provinces' agreement (with the exception of Quebec) to the revised Canadian constitution, adopted in 1981.

Lougheed has cannily used Alberta's oil and gas wealth both as a lever in national politics and to strengthen the province's own economy. The bulging C$14bn Heritage Fund has provided sparsely populated Alberta with an enviable array of social and educational facilities.

Thanks to numerous tax concessions, Alberta's economy is picking up smartly in the face of weak oil and gas markets elsewhere in the world. No wonder Lougheed's Conservatives hold 75 of the 79 seats in the provincial legislature—up from zero when King Peter became party leader 20 years ago.

"If it's not one of ours maybe it's from the Bank of England."

Sky's the limit

The audience profile for Rupert Murdoch's general entertainment Sky Channel has risen markedly. A satellite receiving dish has been installed at the Zarzuela Palace in Madrid and King Juan Carlos, an enthusiast for that sort of thing, is reported to be enjoying the Sky brand of light entertainment.

The Royal household is one of 3.6m cabled homes in Europe which can now switch on to Sky.

Some interest in the channel has also been shown by the King of Morocco but the tricky problem of programme rights for North Africa has yet to be sorted out.

There is no sign of a satellite dish on Buckingham Palace. But Lord Romsey, a director of Sky, is a friend of Prince Charles. So you never know....

Watch this space

New Zealand has found another tourist attraction to add to its boiling mudpools and steaming geysers.

Next year when Halley's Comet reappears in the skies after 75 years, New Zealand will be one of the best countries from which to view it.

Hundreds of U.S. and Canadian tourists are already booking $2,700 comet-watching holidays there—a package deal which includes the services of an astronomer. One travel agency alone has had 1,400 inquiries.

Prime viewing sites near Queenstown and Blenheim are being staked out. But many tourists have booked camper-vans or chartered yachts so they can watch the comet well away from the distractions of city lights.

Marking time

The Soviet Union has closed the technology gap with the West according to a story from Helsinki.

Ivan is trudging across Red Square with two heavy suitcases when his friend Sasha stops him to ask the time. Ivan rests the cases and looks at his watch. "Three o'clock in Moscow, comrade. Two o'clock in Helsinki, 7.00 am in New York, 9.00 pm in Tokyo. Wind west-south-west, and it should be a fine weekend."

"Gosh," says Sasha. "I didn't know you could buy those fancy Japanese watches here."

What d'you mean, Japanese? This is a Soviet watch. I've just bought it from GUM."

"Kolossal. I must get one."

"You should," says Ivan, as he picks up his two suitcases. "But I warn you, these batteries don't half weigh you down."

Observer

THERE is a curious idea in the air that the Conservative Party might win the by-election in Brecon and Radnor next Thursday. Mr Cranley Onslow, for example, the chairman of the party's 1922 Committee, who has his vote in the constituency, thinks that Tory support has not fallen away nearly as much as might have been expected.

There are others with a good political nose who know the place well and think much the same thing. A Tory MP for a neighbouring Welsh constituency says: "Yes, but please don't write it until after the weekend because anything might happen between now and then." As indeed it might. Nobody knows what the headlines in the next few days are going to be. There is the summit meeting of the European Community in Milan, for instance; there will be also public opinion polls about Brecon and Radnor.

It is an odd constituency: one of the largest in Britain, but with one of the smallest electorates. The people are all spread out. That is one reason why it is so difficult to tell how they will vote.

Yet, on the face of it, it ought to be a cinch for the Alliance. It is the first by-election this year. The Government is in mid-term and doing none too well. The local result in the general election of 1983 was Tories 48.2 per cent, Labour 25 per cent and the Alliance 24.4 per cent.

That is very similar to Portsmouth South, which the Alliance picked up quite easily in a by-election just over a year ago. It is also quite similar to the result in Stafford which the Alliance could have won in the by-election of May last year, if only it had tried harder.

The conventional pattern has been that the Alliance mobilises all its support, as the Liberals used to do before it, attracts disaffected Tories, probably benefits from a relatively low turn-out and the Labour vote, except in inner cities, continues to decline. Brecon and Radnor ought to be a replica. It is very interesting that hardly anyone is yet sure that it will be.

A Labour victory would be stunning. The Labour Party has not gained a seat in a by-election in the past decade apart from Birmingham Northfield in October 1982. Oddly enough, it was the narrowness of the Labour majority there that persuaded Mr Cecil Parkinson, the then chairman of the Conservative Party, to press — initially against Mrs Thatcher's wishes — for an early general election in 1983. Labour then lost Northfield. Yet a win for Labour now in Brecon and Radnor, with the Government in mid-term and the political conference season approaching, could have a marvellous effect on the Party's morale.

POLITICS TODAY

Candidates in Brecon and Radnor (from left): Richard Livsey, Chris Butler and Richard Willey.

Time for a fixed-term Parliament

By Malcolm Rutherford

A defeat for the Alliance would be quite crushing, even if it were a fairly narrow one. It would challenge the idea that at least in rural, southern or suburban by-elections, with the Tories in office, the Alliance carries all before it. If the Alliance were to come third, people would have to start reassessing their ideas about political realignment.

A Conservative victory would be rather fun. It would make people think. All those suggestions about a hung Parliament two or three years on, the premature talk about the result of the net general election when there are at least two years to go would have to be revised. It might make the party conferences in the autumn somewhat different, too, for there is unlikely to be another by-election this side of November.

And yet a Conservative victory ought to be quite properly on the cards. The Party did, after all, win nearly 50 per cent of the vote in Brecon and Radnor in the general election. Nothing much has changed cataclysmically since. The Government looks a little the worse for wear and the Labour Party has an attractive new leader, but the opposition is still divided—thereby giving the Tories the best weapon they have—and shows no signs of coming together. Thus a Tory win, probably with a reduced majority and with a lower turn-out, ought to be the most natural result in the world. It would reflect reality: not with enthusiasm perhaps, but at least reality.

The trouble is that by-elections have become a distorted and distorting feature of British politics. There used to be lots of them so that it was a kind of continuous process. Between the end of the first and the beginning of the second world war there was an average of 18 a year. Between 1945-1970 the average was down to 11. Between 1970-1984 it fell to six.

There is another way of putting it. In the (not so) old days the composition of a Parliament tended to change as its life went on. The absence of a general election during the Second World War affects the figures, but it is still striking that between 1918 and 1970 each Parliament by the time it was dissolved had an average of 53 members who had come in at by-elections. In Mrs Thatcher's first term, which ran for four years, there were only 20 members who had not been there at the start.

We all know the reasons. The most obvious one is that by-elections have come to be considered dangerous by the governing party. (It is not just the Tories.) They lead to Orpingtons, Ashfields, even perhaps to Brecon and Radnor, bad headlines, charges of electoral volatility, mid-term blues, calls for a change of course, better presentation, new party chairman and so on. On the whole Governments want to avoid them. The only compensations is when they turn out to be useful in testing the political weather before a general election: Birmingham Northfield, for instance, or Hull North under Prime Minister Wilson.

There are one or two other explanations. Not so long ago a by-election would be caused by an MP being sent off to become Governor of the Seychelles or somewhere or to run the Port of London Authority. Such posts are no longer so readily available.

It was also one of the political rewards to be elevated to the House of Lords. Nowadays MPs have to make do with a knighthood if they are lucky and relegation to the backbenches if they are not. Even Lord Whitelaw's nominally safe Conservative seat of Penrith and the Borders was very nearly lost to the Alliance when he went to the upper house after the last general election which had taken place only a few which had taken place only a months before the by-election.

All that amounts to a considerable, if not widely noticed, constitutional change: on the whole, for the worse.

There are fewer by-elections; therefore more attention it attached to them. The continuum has gone out of politics. People take them deadly seriously: "minders" looking after candidates, all sorts of officials looking on from Central Office and so on. It is hard to imagine a by-election on a single issue like Munich in 1938 or (say) the famine in Ethiopia today.

One oddity is that it does not really matter very much, except at the time. The majority of seats lost at by-elections revert to the original party at the next general election.

The fall in the number of by-elections has had another unfortunate effect. Not only has the fun gone; it has led to a certain ossification in Parliament. There was already a trend for people to become more and more career MPs, doing what the Whips tell them and hoping for advancement. The absence of by-elections makes it much harder for someone to change their minds or their career in mid-course.

The new practice might be easier to defend if it had been deliberately designed. It has not. The only other constitutional change that has gone alongside it, and even that by accident, has been the development of hereditary peers. That too, has turned out to be a kind of ossification, for where does reform go from there? Hardly anyone talks any more about further changes in the Lords.

One answer might be to go back to the old days where by-elections were two a penny and created a great deal of innocent excitement. It was not of too much moment what happened in Brecon and Radnor because there would be another test somewhere else in three weeks or so.

Another might be to go over to something like the West German system which dispenses with by-elections altogether. That, or the American which allows for the natural process of change by mid-term elections. Indeed the more one thinks about it, the more one becomes convinced that the best cure for the premature electionitis that has come to dominate this summer is not proportional representation but fixed-term Parliaments. At least everyone would know where they are. Who knows? They might even bring a measure of cros-party agreement in their wake.

Lombard

Seat-of-pants socialism

By John Lloyd

THAT old guru, Prag-ma-Tik, has been doing his rounds of the union conferences, bending an ear here, talking to a small group there.

The signs are that he is having more success in these quarters than hitherto: Prag-ma-Tism, his philosophical system which, he claims, should inform every area of one's life, has acquired a flavour of the month status in Left-wing circles which had regarded it with some disfavour.

All of this is billed as a "Boost for Kinnock"—one of Prag's most successful converts —since his success depends on large amounts of this philosophical balm covering most areas of policy. But it poses some familiar problems.

First, there are limits to Prag's system, most obviously in not being a system at all, but rather an intelligent response to events. If it is to survive, inspire and flourish, it must depend on a vision of society and, in particular, of the economy on which it can elaborate Prag-type policies which "you know make sense."

It is still the case that while the Prime Minister and Mr Arthur Scargill have visions of society, the area between them has yet to produce a coherent alternative which excites the mind and the political fibres alike. Within the Labour movement in particular, there is something of a hole where the democratic socialist, or social-democratic, vision should be.

Because of that, it is impossible to judge if the various nods or leaps in Prag's direction over recent weeks are simply tactical retreats in order to advance later, or changes of view: It is likely that those moving in these directions do not know themselves. Until a real system is put in place which can command allegiance because it can be interpreted to make sense, opportunism (which is what people call Prag's system when they are being rude) is enforced.

The split within the Communist Party points up this dilemma for the Labour movement. The "hard liners"—more accurately those who have fallen foul of a hard disciplinary line imposed by the executive—remain faithful to a socialist fundamentalism of which Mr Scargill, though not himself a Communist, is the most talented exponent.

The "Eurocommunists," who are the leading elements in the majority, are great followers of Prag, and astonish even him in the enthusiasm with which they have espoused his teachings. This raises the interesting question of why they still call themselves Communists; but more importantly, what do they, and the rest of the "sensible left," want?

The quick answer is a reassertion of collectivist values against the individualist ones which they believe have run rampant over thet past half-dozen years. But beneath that, there is considerabzle doubt as to wether such a reassertion would strike enough ersponsive chords. A recent survey of unions, for example, showed that while most of them still supported nationalised industries, many recognised they were not popular.

Fundamentalists of the left, which has as little to do with Prag as possible and relies instead on the belief that things will get so had, or be seen to get so bad, that support will in time come to them, retains all the virtues of purity and principle. Many, even on the left, presently find it difficult to accept that Mr Scargill is a man of principle, but he is, and his star may rise again.

Itis the more likely to do so where no counter exists within the left except overt or covert liaisons with Prag in order to shape up for the electorate at a time when Labour looks electable once more. The Eurocommunist current in the Communist Party, important because it has stimulated similar currents in the Labour Party and the unions, has posed questions but given no answers as yet.

Attempts to formulate a late 20th century version of democratic socialism — Tony Crosland's "Future of Socialism" revisited — get Prag twitching with irritation; opinion is cheap, he will say, but election campaigns are expensive, so let's get on with the job. But the modern Conservative Party did not get where it is today by putting all of its eggs in Prag's basket, and the Labour movement could learn a trick or two from that.

Letters to the Editor

Exhaust emission control

From Mr R. W. Wheeler

Sir,—Your reports on the EEC muddle over car exhaust controls give me a feeling of deja-vu having been involved in the U.S. counterpart of these events in the mid-1970s.

Then as now the industry stalled and prevaricated, showing little concern for air quality. They promised super-clean engines in X years' time if only the Government would go away and stop worrying them. For its part the Government pitched its exhaust emissions limits unreasonably low and was forced to give the industry waivers while they developed the three-way catalyst system.

Over there all this is history and hardly mentioned. The cost was lost in the usual inflationary increases in car prices, as it will be in Europe. The major beneficiaries were the Japanese who, instead of squealing, did their homework and came up with clean cars in double-quick time.

One vital point about which the European Commissioners are being very coy concerns the exhaust emissions test drive cycle on the chassis dynamometers. The U.S. test cycle goes from 0-57 mph to cover the legal speed limit of 55 mph: it has some hard accelerations and makes engines work hard. The present EEC test cycle goes from 0-31 mph with only soft accelerations. Because of the low speed range a designer can quite legally switch his engine to a rich high-power mixture from 32 mph upward and let exhaust emissions rip; they simply are not measured.

This disparity in speed ranges makes emissions comparisons between the two cycles a waste of time and meaningless.

The EEC cycle has been a quite cynical featherbed for the European industry resulting in its technical incompetence in the pollution issue. It should be dropped in favour of a version of the U.S. Federal cycle but since we have speed limits of 70 mph upwards it should have some high-speed elements incorporated in it. Then and only then can emissions limits be discussed on the basis of existing car technology and on clean air requirements.

Lean Burn, that scruffy old American rabbit which some companies have dragged out of the hat has been toyed with in the past but has always given cars with poor driveability which stumble and stall particularly after some mileage accumulation. If we ever get such cars, garages and home tuners will soon tweak the mixture back to normal and make them run properly.

This whole muddle is quite inexcusable in the light of American experience and betokens a great deal of ill-will and ignorance of clean air technology on all sides. Of the volume car makers only Volkswagen seems to have a realistic attitude.

Clean-air enthusiasts, and remember we all breathe 150 tons or so of the stuff in a lifetime, should be on their guard against an elaborate "fix" on behalf of a reactionary car industry, dedicated to a lethal car performance race and which because it cannot compete with Japan in world markets wants to turn Europe into a closed zone where it can indulge its old-world fancies.

R. W. Wheeler.
19 Nevill Road
Rottingdean, Brighton

Applying for shares

From Mr A. V. Drew.

Sir,—The genuine small investor would have a much better chance to obtain new issues if it was not for the professional stags who overwhelm the issue with multiple applications. I have seen them at the issuing office between 9.30 am and 10 am on the closing day with literally suitcases of multiple applications which they tip onto the pile and ensure that they win the ensuing ballot many times over.

To prevent this unfair approach applications should only be accepted by post, thus ensuring that the professional stag —like the small investor—must make up his mind about the issue two to three days ahead to catch the past and be subject to last minute market sentiment changes. The post office will have every opportunity to sell more first-class stamps to the professional stag and subject the many applications to late delivery which the small investor endures as a matter of course.

A. V. Drew.
13, The Holdings,
Hatfield, Herts.

Supervision in banking

From Mr J. L. Sangster

Sir,—Total success in banking supervision is reserved for those with perfect hindsight. More formal systems of inspection have not saved Continental Illinois and countless other banks in the U.S. from disaster in the last years.

In the first six years of administering a not wholly satisfactory Bank Act, the Bank of England has to record one failure, but the Chancellor was reported to be looking for significant staff changes. Mr Lawson himself however repeated a much more serious mistake within six months, precipitating two sterling crises. May we look for him to accept a "reshuffling" soon?

J. L. Sangster.
Mole End, High Molewood.
Hertford.

Losing sense on translation

From Mr N. H. G. Armstrong-Flemming

Sir,—Lex, in the course of his article, (June 19), stated explicitly that it, "suited companies to use end period exchange rates," and by implication, that the relevant U.K. accounting standard (SSAP 20) allowed this practice.

In fact it should have been made apparent that the article was concerned with the financial statements of corporate groups which contained one or more overseas subsidiaries and not with the reports of individual companies. The standard leaves to the discretion of the directors of corporate groups the accounting principles to be used in the preparation of consolidated accounts because one method is not considered appro priate in every situation. Provided full disclosure is made of the accounting principles used Lex should have no cause for concern even in a far from "ideal world."

Individual companies, on the other hand, are expected to translate foreign revenue and costs at the rate "in operation on the date on which the transaction occurred; if the rates do not fluctuate significantly an average rate for a period may be used as an approximation."

I venture to suggest that in an ideal world there would be no need for statements of standard accounting practice for one would be able to rely on the financial statements being true and fair but, since we have not yet reached utopia, the Institute sets out standards which allow some discretion. Perhaps the true sadness is that the U.S. committee cannot do the same.

N. H. G. Armstrong-Flemming.
Ingram and Flemming,
Winchmore, Chalk Lane,
East Horsley, Surrey.

Efficient market theory

From Mr D. Turgoose

Sir,—The argument concerning the Efficient Market Theory (which is only a null-hypothesis) drags on. It could be settled very quickly by its opponents.

Together with "chartists," "technical analysts," palmists and astrologers, the burden of proof rests entirely with them. It is they who claim to have discovered some Law of Nature or Law of Share Markets which will consistently produce better-than-random results. Let us see the data, the statistics, the evidence. I am sure that very nearly every one of your readers would be keenly interested.

The response (if any) will doubtless come from extremely wealthy individuals, for it requires only a tiny but consistent improvement over randomness for its repeated and cumulative effectiveness to lead to untold riches within a few years.

D. Turgoose.
28, Lister Gate, Nottingham.

Scottish pound notes

From Ms B. Davies

Sir, — Since the Royal Bank of Scotland is to trade in England in place of the Williams and Glyn's branches, it is to be hoped that Royal Bank's one pound notes will be issued over the counters to enable customers to retain the advantage of a pound note over the pound coin, the currency to which all other English banks will be restricted.

I am sure this would be a good selling point to the Royal Bank, as my experience in running a retail business both in England and Scotland confirms that there is a continuing resistance to the coin and that most people would welcome the retention of the note.

As a customer of the Royal Bank in Scotland, I am seriously considering issuing as change a supply of Scottish pound notes to those of my customers in England who prefer notes to coins.

B. Davies.
Managing director, the Campus Group.
Advanced Business Centre,
Nottingham.

Air India disaster

From Philip Conti

Sir,—With regard to the Air India disaster, your Aerospace Correspondent, Michael Donne (June 25) states that ". . . total security is impossible short of turning every airport into an armed camp with regular ruthless body and baggage checks." As a seasoned traveller I would much prefer a ruthless body and baggage check within the airport rather than after having been fished out of the sea.

Philip Contini.
19, Elm Row,
Edinburgh.

FINANCIAL TIMES

Friday June 28 1985

David Housego charts the evolution of France's new attitude to national security

Paris takes a European line on defence

GENERAL DE GAULLE believed that France could choose to stay out of a war in Europe while reserving its forces for the defence of French national territory. That has long seemed an unrealistic assumption, but has none the less remained at the core of French orthodoxy on defence for the last 25 years.

There are now growing signs, however, that the doctrine is being quietly shelved. Statements by the opposition parties, the Government and the Socialist party in recent weeks point to an increasing acceptance that France would be drawn into a European conflict from the outset and that French independence would have little substance if West Germany were to be overrun.

So from an independent concept of defence, France is now increasingly defining its defence policy in European terms.

If that change opens up new possibilities of co-operation with France's European partners – West Germany first of all, but also with Britain – it also raises another, so far intractable problem. French defence strategy is also based on the other pillar of Gaullist theory: refusing a prolonged conventional war in Europe by threatening the early use of nuclear weapons. French defence expenditure since de Gaulle has been concentrated on modernising the nuclear armoury.

But Nato strategy, and hence that of West Germany, is increasingly based on a reluctance to use nuclear weapons and so depends on the acceptance of a longer conventional war in Europe. As a result of that fundamental divergence of view, Franco-West German talks on mutual security issues under the revived 1963 Elysée Treaty continually bump up against the brick wall of what type of war would be fought in Europe and with what weapons.

Fifty-seven per cent of Frenchmen consider that France should go to West Germany's aid if its security were gravely threatened, according to an opinion poll published in Le Monde yesterday. The poll is the first for a long time to examine French attitudes towards West Germany.

The poll, carried out by the IFOP institute, finds that a smaller proportion – 40 per cent – favour extending France's nuclear umbrella to West Germany.

The burying of wartime differences between the two countries is reflected in replies to the question on whom West Germans most resemble in terms of outlook and behaviour. Twenty-six per cent of these questioned replied the French – with the Americans being in second place with 17 per cent.

The most clear-cut sign of the change in defence thinking in France was the statement two weeks ago by former President Valéry Giscard d'Estaing, who declared that an invasion of West Germany should be considered as affecting the "ultimate security" of France. In the 1970s, he had been moving towards that concept of an "enlarged sanctuary" but was stopped by opposition from the neo-Gaullist RPR on whom he was dependent for a majority in the National Assembly.

M Giscard d'Estaing made his comment in presenting the defence programme of the centrist UDF group – the other main component of the parliamentary opposition. The UDF says that France should be ready to enter a European conflict at the outset and that "the frontier of our independence is on the Elbe" and not the Rhine.

It proposes that consultations should begin as soon as possible with France's allies and with West Germany in particular on the use of French tactical nuclear weapons. The importance of that is that, in French doctrine, the use of tactical nuclear weapons is closely linked to the use of the strategic deterrent against Soviet cities. M Giscard d'Estaing also suggests that exploratory talks should begin towards a European defence treaty.

The RPR does not go as far as their strongly pro-European UDF partners, but there has been a significant shift in their defence thinking. M François Fillon, the RPR defence spokesman, proposed that the party should make official doctrine that France has "two eastern frontiers: its geographical frontier on the Rhine and the frontier of its independence on the Elbe." But he was ruled out of court by the Gaullist "old guard." The party, however, is committed now to establishing a "new structure of co-operation" with West Germany over security and armaments.

President François Mitterrand, since coming to power, has been edging towards a more European concept of defence. The revival of the Elysée Treaty with West Germany was a step in that direction, as was the creation of a 46,000-strong rapid deployment force, symbolising France's greater readiness to intervene early on West Germany's side.

M Mitterrand, however, had two obstacles in his way. As a Socialist President he had to step warily in the face of Gaullist doctrine taboos. President Mitterrand, with the Communists in government, could not link France's defence to that of West Germany in a way that would be anathema to the Soviet Union and possibly force the departure of the Communists from the coalition.

Now that the opposition is changing its policies and the Communists have pulled out of the Government, President Mitterrand has more leeway. The first sign that he is using it was the statement by M Charles Hernu, the French Minister of Defence, last week that France and West Germany "had security interests in common."

Herr Manfred Wörner, the West German Defence Minister, replied: "I thank you for having said that, for France, West Germany is not a simple buffer."

The importance of this is that the Gaullist doctrine of independence in defence assumed that Germany, France's long-time enemy, was now a buffer against its new adversary, the Soviet Union.

The Socialist party has gone further than the Government in linking French defence to that of West Germany by increasingly including West Germany in France's "enlarged sanctuary."

Two of the numerous reasons for such a shift in doctrine stand out. Successive French administrations have increasingly found that their pro-European rhetoric ran aground on their inability to provide an unambiguous answer to the West German question: "Would your conventional/nuclear forces be involved in our defence in a war?"

More worryingly, the French have convinced themselves that their support for the deployment of U.S. intermediate-range missiles in West Germany has contributed to the growth of the "pacifist" and "neutralist" sentiment in West Germany that they most want to avoid. Hence the new pressure to demonstrate France's solidarity with West Germany on security issues.

The second principal factor is that, with the French defence expenditure now falling in real terms and defence costs rising, all parties are increasingly aware that France cannot afford the independent defence that de Gaulle bequeathed.

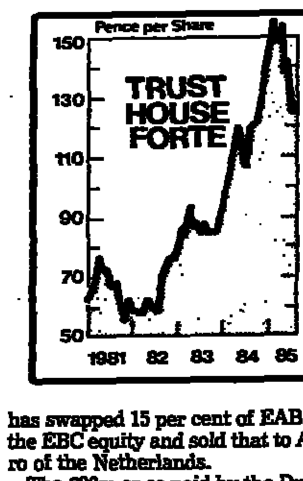
The concentration on nuclear spending has meant that equipment purchasing for the conventional forces has fallen way behind target. That process was already under way in President Giscard d'Estaing's years, but has accelerated under the Socialists. So France is more than ever dependent on its nuclear armoury.

The vulnerability of the strategic deterrent is also being increased by new developments in Soviet weapon technology: anti-ballistic systems, precision-guided missiles that could destroy the French communications, command and control centres and land-based inter-continental missiles.

The length of government and opposition's arms shopping lists – movable SX inter-continental missiles, an observation satellite, anti-satellite weapons, an Awacs warning system, aircraft and tanks – reflect what is needed to plug the gaps. But France can no longer afford it on its own.

THE LEX COLUMN

Two-way stretch for Mills



What started as a local problem in electronics has by yesterday evening developed into wholesale retreat. The London equity market now stands at around its lowest level of the year and the size of the sticks being left with the underwriters should ensure that the recovery, if there is to be one, is a slow affair.

Mills & Allen

The relative merits of vendor placings and rights issues seem pretty evenly balanced in the City this week: any form of capital raising is equally unpopular with underwriters who look like having to earn their money the hard way in a falling market. Mills & Allen will get no marks for the timing of its £25m equity call. But it perhaps deserves some credit for trying to get the advantages of both financing methods, through an issue which starts off as a vendor placing, but turns into a rights issue. The vendors of Gintelco (a bond-broking business in New York) get their cash while the shareholders in Mills avoid the dilution which they would suffer through a normal placing.

This is no doubt in the interest of individual shareholders, but there are costs in the rights issue route which the bulk of Mill's institutional shareholders might wish to avoid – such as the sub-underwriting fee and a few week's interest on the bridging loan needed for immediate completion. On the other hand it seems strange to have a placing if you are also going to the shareholders. The final argument for doing so is that it allows Mills to merger-account the acquisition, which avoids the eventual embarrassment of writing off $20m of goodwill.

Like many another people business, Gintelco has made its exit at nearly four times net worth. Whether this premium turns out to be worth paying will depend on how long the people stay, and on the continued health of the U.S. corporate paper market. At any rate the earnings dilution seems likely to be minimal: down 35p at 315p, Mills' shares were gently dealt with.

Amro/EBC

The sale of a consortium bank is naturally a complicated affair but yesterday's transaction involving European Banking Company is positively fiendish. Having promised the U.S. authorities to reduce its shareholding in EBC's U.S. sister, European American Bank, Midland has swapped 15 per cent of EAB for the EBC equity and sold that to Amro of the Netherlands.

The £26m or so paid by the Dutch is not much here or there to Midland, although Amro gains a late entry into London-based investment banking and a well respected foreign-exchange dealing operation. The national premium of 25 per cent to EBC's net worth includes the prospect of a good year's trading and at least Amro appeals to the whole of EBC's current management instead of only to some, as in the mooted Merrill Lynch deal.

Yesterday's transaction does raise questions about the future of other consortium banks under the umbrella of European Banks International or Ebic, the club of seven European banks. The main problem is EAB, which has produced dismal returns on its shareholders' equity since buying the rump of Franklin National, and last year lost a Crockerish $132m. In any case, when a 23 per cent EAB shareholder such as Deutsche Bank is running its own operation, not in California like Midland but just next door, it is doubtful Ebic has much of a future except as a gentlemen's club.

THF

Not even the promised descent of 30,000 U.S. lawyers on London has been enough to support Trusthouse Forte's share price in recent months. From a prospective p/e of 15 at the end of last year, the shares – up 4p at 128p yesterday – have slipped to a rating of nearer 11.

It is not as if THF has exactly disappointed. Yesterday's interim results to end-April show pre-tax profits, net of property disposals, rising 27 per cent, with not so much as a nudge from currencies. Outside the U.S., occupancy rates are between 5 and 8 per cent higher than this time last year, and though tariffs have only increased by 5 to 6 per cent, realised rates have been higher due to less discounting.

But the U.S. continues to be a problem, with chronic oversupply in the upper price range. On average, THF's hotels are only about 60 per cent full, and as the economy slows down, it is hard to envisage much of a turnround this year. Of the £70m that THF has earmarked for 1985's capital expenditure, the U.S. share will quite sensibly fall.

The UK hotels are obviously in line for a bumper summer. THF is so confident of filling its London rooms that it has turned down group bookings that might involve discounts. But the share price has been discounting this ever since Britain started to look inexpensive to tourists. Judging by their recent languor, the shares may not excite unless THF comes up with some news, maybe on the Savoy Hotel front where there has been persistent takeover speculation.

Guinness/Bell

The case of Guinness versus Arthur Bell got off to a messy start with the principal defendant stranded in America and the plaintiff forced into court earlier than envisaged by circumstances beyond his control. Fortunately, proceedings have now settled into a reassuringly familiar pattern. Yesterday the judge quite properly rejected the defence charge that Morgan Grenfell QC was acting unethically because of its earlier access to confidential Arthur Bell papers.

With that point of law out of the way, the two sides announced their final teams. Morgan is being supported by Noble Grossart of Edinburgh, whose Scottish accent is designed to impress the jury, while S. G. Warburg has been brought in to lead for the defence. In the UK, at least, Henry Ansbacher will now be junior counsel.

Late in the day, Morgan presented the main thrust of its case, which amounted to little more than a reiteration of earlier arguments. The convincing evidence – a profit forecast and a higher offer – is perhaps being saved until later. Morgan is playing the Scottish card for all it is worth, although ironically it is the threat of a reference to another court – on Scottish grounds – which is keeping the Bell price almost within reach. Last night it represented a premium of only 6½ per cent to the existing equity offer.

Sweden reveals exchange rate limit

By Kevin Done in Stockholm

THE SWEDISH central bank acted yesterday to try to increase confidence in the krona by publishing for the first time the maximum foreign currency index deviations it will allow before it is pledged to intervene to defend the currency.

After a run on the krona in early May, the Riksbank was forced to raise interest rates sharply to reverse a rapid outflow of currency from the country.

The drastic measures, which have pushed Swedish real interest rates to record levels, have succeeded for the moment in restoring stability and there has been a positive inflow of capital in each of the past five weeks totalling more than Skr 2.8bn ($318m).

Sweden's foreign exchange-rate system is based on maintaining a particular level against a trade-weighted average of 15 currencies. Since the dramatic 16 per cent devaluation in October 1982, the index benchmark has been fixed at 132.

In the turmoil in the financial markets during the spring, uncertainty grew about the index variations the Riksbank would allow, but yesterday the central bank declared maximum upper and lower limits of 134 and 130, implying a maximum devaluation risk of 1.5 per cent.

It is the first time the Riksbank has published the maximum deviations at which it is pledged to defend the krona, and the published figures reflect the tightening of its previous internal limits.

Since May 13, the central bank has been trying to stimulate private capital inflows and Mr Thomas Franzen, head of the Riksbank foreign department, said that companies could now "calculate the maximum risk they take when they borrow abroad. The aim is to reduce the risk element in international transactions."

One leading foreign exchange dealer in Stockholm said yesterday, however, that uncertainty still remained with an election only 2½ months away, and there were persistent doubts about the next government's readiness to act decisively to correct imbalances in the Swedish economy.

Bundesbank softens opposition to use of Ecu in Germany

BY JONATHAN CARR IN MUNICH

THE BUNDESBANK has signalled a slight softening of its opposition to the private use of the European currency unit (Ecu) in West Germany, a stand for which it has been sharply criticised by European partners.

Herr Karl Otto Pöhl, the West German central bank's president, gave notice of the shift in attitude yesterday during a speech on "consolidation and development of the European Monetary System (EMS)."

Herr Pöhl was careful not to say that the Bundesbank would now drop its ban on residents' holding private Ecu bank accounts in West Germany, but he approached the topic in a notably more conciliatory tone than before.

Departing from his prepared text, Herr Pöhl emphasised that the central bank was "not dogmatic" on the issue and reserved the right to look into it again. In doing so, action taken by other European countries to remove obstacles to Ecu use on their territories "will certainly not be unimportant for us."

Herr Pöhl emphasised that it was a widespread misconception that Ecu transactions were subject to no restriction at all in other EMS countries and that only the Bundesbank had taken a negative stand so far. In general, he said, West German capital and money markets were among the most liberal in the world.

The Bundesbank had not permitted Ecu accounts so far, not because it was hostile to the Ecu as such, but because it did not want to set a precedent for other forms of indexation in the economic and monetary fields in West Germany.

"Rightly or wrongly," after two terrible bouts of inflation in this century, indexation was a very sensitive topic in Germany, the Bundesbank president said. One could certainly discuss whether or not such fears were exaggerated.

Herr Pöhl also stressed that in his view the importance of the Ecu for the development of the EMS had been greatly exaggerated by many people. In fact, the opposite was true. The future of the Ecu depended on whether the exchange-rate mechanism of the EMS could be kept stable and greater economic convergence in Europe achieved.

Herr Pöhl's remarks come against a background of high-level concern at the Bundesbank that the tough stance on the Ecu has been widely interpreted as an "anti-European" attitude generally.

Some senior officials feel the Bundesbank has been put badly on the defensive on the issue, although it has worked hard to improve the EMS – most recently through the so-called "mini-package" of reform steps agreed by European central banks.

London tin prices fall after limit on premium

By John Edwards in London

TIN VALUES tumbled on the London Metal Exchange yesterday as trading resumed under a new restriction imposed by the exchange limiting to £90 the daily premium that could be charged to sellers seeking to delay their delivery commitments.

Trading was suspended on Wednesday when the premium for delaying delivery for one day reached more than £450 a tonne, threatening some traders with heavy losses.

When trading resumed yesterday, the standard grade cash tin price fell £850 to £9,675 a tonne, more than offsetting Wednesday's rise of £435 to a record £10,325 a tonne. The three-month quotation also fell yesterday but only by £92.5 to £9,425.

A special joint meeting of the Metal Exchange board and management committee yesterday unanimously agreed to set the daily limit because the exchange argued that penalising legitimate traders using the market for its correct basic purpose of hedging through the high premium was unacceptable. The limit will remain until such time as "orderly" trading is restored.

The same technique of limiting the cash price premium was used by the Metal Exchange in early 1982 when a mystery buying group sought to "corner" the market by buying up all available supplies.

The situation is rather different on this occasion since the main sufferer from the restriction is the buffer stock of the International Tin Council.

Baird polishes up nickel giant, Page 2; Other commodity news, Page 40

BP subsidiary to axe 450 staff in U.S.

By William Hall in New York

STANDARD Oil Company (Ohio), British Petroleum's majority owned U.S. subsidiary, is cutting about 450 corporate staff jobs and will take a charge of up to $50m pre-tax to cover the reorganisation of its headquarters staff.

Mr Alton Whitehouse, chairman, said yesterday that "Sohio, and the oil industry in general, is operating in a tougher environment worldwide. We have decentralised our businesses and are working to improve our overall corporate and business performance in this economic climate."

Sohio is the latest in a string of major oil companies to announce plans to cut overhead costs and slim down its organisation to meet the tougher conditions now prevailing in the international oil business.

At the end of March it announced that it was suspending operations at its Utah copper division, which controls the biggest copper mine in the U.S.

Scargill faces test from union left

BY JOHN LLOYD, INDUSTRIAL EDITOR, IN LONDON

SHARP political differences between two groups of the dominant left-wing of Britain's National Union of Mineworkers (NUM) will emerge at the union's annual delegate conference in Sheffield, Yorkshire, next week.

As a result, there will be a challenge from the left to fundamental rule changes being proposed for the union.

The left-led Scottish area yesterday voted to leave all decisions on the rule changes to its conference delegates – with the understanding that they would support any proposed remission of the changes.

The South Wales area, also left-led, may support the Scottish area's stance – although its area conference last week voted to support most of the rule changes, but to oppose a few crucial elements. Most importantly, it would oppose a rule change that would ensure that Mr Arthur Scargill, the NUM president, lost his casting vote on the national executive and would thus be exempt from the provision in the 1984 Trade Union Act which enjoins five-yearly elections.

If the move to remit the rule changes were to be supported by the right-led areas – which are, in general, opposed to all of the changes – the far-reaching reforms planned by the union would be lost.

Scottish and South Wales delegates will argue that the changes will create division, and possibly actual splits, in the union. That would be at a time when, they say, the NUM should campaign strongly for the reinstatement of the miners dismissed during the year-long strike that ended in March, and also fight for the preservation of pits and public support for coal.

Their line follows closely that arrived at by the Communist Party's influential miners' advisory group at a meeting last weekend, which emphasised those priorities

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	24	75	Dubrovnik	S	26	79	Malaga	S	28	82	Salzburg	F	17	63
Akrotiri	S	29	84	Faro	S	26	79	Malta	S	27	81	Seoul	C	26	79
Algiers	S	26	79	Florence	C	23	73	Manila	R	31	88	Singapore	S	34	93
Amsterdam	C	14	57	Frankfurt	R	16	61	Miami	R	27	81	Stockholm	F	18	64
Athens	S	28	82	Funchal	C	22	72	Milan	F	25	77	Strasbourg	C	18	64
Bahrain	S	36	97	Geneva	F	18	64	Moscow	C	15	59	Sydney	F	19	66
Bangkok	S	32	90	Gibraltar	S	21	70	Munich	F	13	55	Taipei	C	33	91
Barcelona	F	23	73	Guernsey	F	15	59	Nairobi	–	—	—	Tangier	S	25	77
Beirut	S	31	88	Helsinki	C	16	61	Naples	S	26	79	Tehran	–	—	—
Belgrade	F	24	75	H. Kong	C	29	84	New Delhi	S	38	100	Tel Aviv	S	28	82
Berlin	R	14	57	Innsbruck	C	17	63	New York	S	20	68	Tenerife	S	26	79
Biarritz	F	21	70	Inverness	C	12	54	Nice	S	23	73	Tokyo	C	24	75
Blackpool	C	13	55	Istanbul	S	24	75	Oporto	S	25	77	Toronto	S	23	73
Bordeaux	F	21	70	Jersey	S	15	59	Oslo	R	15	59	Tunis	S	30	86
Brussels	C	16	61	Jo'burg	C	20	68	Paris	C	16	61	Valencia	S	27	81
Budapest	C	19	66	Las Palmas	C	23	73	Prague	F	14	57	Venice	F	23	73
B. Aires	C	22	72	Lima	C	20	68	Reykjavik	F	13	55	Vienna	F	20	68
Cairo	S	33	91	Lisbon	S	28	82	Rio de J'o	S	27	81	Warsaw	R	16	61
Cape Town	–	—	—	Locarno	S	25	77	Rome	S	26	79	Zurich	C	13	55
Caracas	R	28	82	London	F	18	64								
Casablanca	S	24	75	Los Angeles	S	31	88								
Copenhagen	S	18	64	Luxembourg	F	14	57								
Corfu	S	27	81	Madrid	S	29	84								
Dublin	C	15	59	Majorca	S	28	82								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

OECD warns Italy

Continued from Page 1

borrowing requirement. Under the circumstances, the OECD believes that the only way Italy can break loose from its current dilemma is by rapidly becoming more competitive through a reduction in both inflation and in the general government borrowing requirement.

Radical reforms are above all needed on public expenditure the report says. It points out that changes so far made to the pension scheme have not managed to prevent the social security deficit increasing. Transfers to enterprises could also be more effectively monitored. The OECD suggests that there is a need to strengthen forecasting and appraisal procedures for costing government programmes.

The OECD says the growth of wages and costs will have to be brought rapidly under control if the policy of maintaining the stability of the lira exchange rate in the European Monetary System is to succeed.

The report concludes that although progress has been made in adjusting the Italian economy during the past two years, more efforts are required and what has so far been achieved must be consolidated.

Hijack crisis 'near end'

Continued from Page 1

tage crisis has already eroded Israel's popularity with the U.S. public.

The change in Israel's stance follows a telephone call from M Dumas on Wednesday evening. He asked Mr Shimon Peres, the Prime Minister, how Israel would react if France took up the proposal by Mr Berri to transfer the hostages to a Western embassy.

Israel believes the French telephoned on behalf of the Americans and privately, officials are furious with the U.S. for putting indirect pressure on them to release the Shias while publicly refusing to ask Israel to free the prisoners.

The Swiss Government is also continuing to play a role in the search for a solution to the crisis. A government statement said yesterday it would in principle be prepared to accept the hostages – but only on condition that "no further conditions were placed and that Switzerland had the assurance that it could freely bring the people concerned to Switzerland or to another place and set them free."

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday June 28 1985

Bosch expects sales at new high of DM 20bn

BY JONATHAN CARR IN STUTTGART

ROBERT BOSCH, the West German electricals and vehicle components concern, is heading for another strong result this year with world group sales for the first time likely to reach DM 20bn ($6.5bn) and profits in line with the record 1984 figure.

Despite the impact of the seven-week strike in the metalworking industry last year, Bosch's sales rose by 13.9 per cent to DM 18.4bn while group net earnings jumped by 84 per cent to DM 446m.

Dr Marcus Bierich, chief executive since last July, noted that the 1984 earnings figure had been boosted by an extraordinary gain of DM 150m released from reserves. The sum had originally been set aside to cover special risks, notably in the U.S., but was no longer needed for that purpose.

Even without that special factor – and despite rising cost pressures – latest signs were that 1985 profits would be "similarly good."

Group fixed-asset investment would be increased by about 15 per cent to DM 1.3bn this year (6.6 per cent of sales compared with 6.1 per cent in 1984), with about three quarters of that being spent in West Germany.

Dr Bierich noted that the financial strength of Bosch – a private limited company 90 per cent owned by a charitable foundation – would again allow it to finance all its investment and most of its increase in current assets from cash flow.

In the first five months of this year, world group sales rose by 16 per cent against the same period of 1984 to DM 8.7bn – thanks to a rise of 11 per cent at home and 24 per cent abroad. The foreign share of group sales is thus likely to increase again this year

Sales of vehicle components, much the biggest product division accounting for more than half of overall turnover, rose by 16 per cent, with particularly strong demand for Bosch's anti-skid and fuel injection systems.

Sales in the communications technology division, about one quarter of turnover, were up by a more modest 6 per cent. While there was buoyant demand for advanced electronic information systems, the consumer electronics market stayed depressed – affecting in particular the colour television sales of the Bosch subsidiary Blaupunkt.

A major boost to Bosch's overseas business is again coming from the U.S. market where sales – especially of vehicle components – jumped sharply last year and now account for around 10 per cent of world group turnover.

Bosch has recently acquired more U.S. production facilities and expects its overall U.S. workforce to rise from a current level of about 2,900 to more than 4,000 by 1987.

The detailed figures now released show last year's performance to have been one of the best in the company's history – with a net profits return on sales of 2.5 per cent, a jump in fixed-asset investment from DM 895m to DM 1.1bn and a rise in domestic research and development spending from DM 827m to DM 906m.

Despite the loss of some DM 600m in turnover through the strike, Bosch was still able to increase sales of vehicle components by 17 per cent while German vehicle production fell by 2.6 per cent.

Net profit of the parent company – Robert Bosch GmbH – rose to DM 280m from DM 157.4m in 1983.

AEG set to resume dividend in 1988

By Leslie Colitt in Berlin

AEG, West Germany's second largest electrical group, is expected to resume dividend payments in 1988, according to Herr Heinz Duerr, chairman. The company has failed to pay a dividend since 1974.

Herr Duerr, who has nurtured AEG back to profitability since its near financial collapse in 1982, told shareholders they could expect a payout for 1987 if the company continued to be profitable. Earnings for this year and 1986 are to be wholly reinvested.

Last year AEG had earnings of DM 100m ($32.8m) compared with DM 40m in 1983 on turnover of DM 11bn. The company's financial debt was reduced from DM 1.8bn to DM 1.3bn. Orders in the first four months of this year of DM 3.6bn were 5 per cent ahead of last year.

Shareholders voted in favour of a company decision to drop the name Telefunken as a result of the sale of the Telefunken household appliances division to Thomson of France.

Herr Duerr said AEG was now a "technology group" with consumer products making up only 18 per cent of sales. Communications and office systems were the most important single divisions with combined sales of DM 3.5bn and would be the future growth sectors.

The chairman indicated AEG plans to buy back shares in its Olympia office equipment subsidiary. It sold 49 per cent of Olympia at the depth of its troubles in 1981 to the Bosch group and a consortium of AEG's banks. Currently Olympia is making a loss, but Herr Duerr said there was reason to believe it could return to profitability in the next three years.

Citibank steps up pace of German expansion

BY JOHN DAVIES IN FRANKFURT

CITIBANK, the U.S. banking group, is opening branches in more West Germany cities to try to build up business with medium-sized companies.

After opening in Cologne three weeks ago, it plans to set up branches in Hanover and Mannheim later this year. By then it will be established in 10 cities – an unusually wide network for a foreign bank in West Germany but a reflection of the country's highly decentralised business environment.

The process of regional expansion will not stop there as executives envisage two or three more branch offices in unspecified locations.

Citibank started up in Frankfurt more than 30 years ago, initially as a representative office, and in a bout of expansion between 1965 and 1970 it opened branches in Berlin, Düsseldorf, Hamburg, Munich and Stuttgart.

After a 14-year gap, it launched its current growth strategy by opening its seventh West German branch in Nuremberg last year to establish links with customers in northern Bavaria.

Executives said Citibank felt it had to be close to medium-sized customers as such clients were not inclined to deal with a bank in a distant centre such as Frankfurt. The bank aimed to be established within an hour's drive of a customer.

Citibank sees its search for so-called "middle market" business as a key element in its West German strategy, in addition to traditional business with large corporations, notably international concerns, and investment banking activities.

The bank increased its business volume by 24 per cent to DM 7bn ($2.3bn) last year, with its operating profit rising to DM 68.1m from DM 62.2m in 1983. The number of employees rose by 44 to 597.

Mr Philip Sherman, chief executive, said Citibank aimed to be a wide-ranging "universal bank" in West Germany.

In common with West German banks, Citibank is giving increasing attention to building up services, in view of the tight margins and limited growth prospects in credit business.

It also continued to put great store on electronic banking, in which it has been one of the prime movers in West Germany, along with Chase Manhattan of the U.S.

Executives said that companies were showing much more interest in electronic banking now that local West German banks were increasingly offering such services.

Enserch to take $225m charge

By William Hall in New York

ENSERCH Corporation, the Dallas-based engineering and energy conglomerate, is taking a $225m pre-tax writedown on its oilfield services operations in a further sign that the slump in the U.S. oil services industry is far from over.

Mr W. C. McCord, chairman, said that Pool Company, the group's oil field services business, had been recording operating losses each quarter since late 1982 and the immediate future looked no better.

Pool owns or operates more than 600 oil rigs, and its oil services business is the second largest in terms of assets. The company says that it expects its consolidated cash flow to continue to be adequate to sustain the current quarterly common stock dividend of 40 cents per share that has been in effect since early 1982.

In a move to cushion the impact of the writedown on second-quarter earnings, the group is taking a $85m after-tax gain on the sale of 15 per cent of Enserch Exploration Partners, a recently formed limited partnership. Enserch raised $223m from the sale of this stake, and this was used to reduce debt and for general working capital purposes. At the end of 1984 Enserch had shareholders funds of $1.2bn and senior long-term debt of $736m which has subsequently been substantially reduced following the sale of Enserch Partners.

Enserch also disclosed yesterday that it was in the process of selling Samson Ocean Systems, a Boston company which manufactures ropes and fenders.

Enserch's earnings peaked at $187.5m in 1981 and slumped to $60.8m in 1983 before recovering to $92.6m in 1984. In the first three months of 1985 Enserch's net income fell by 17 per cent to $46m, or 69 cents per share.

Pirelli holding group profit edges ahead to SwFr 24.4m

BY JOHN WICKS IN ZURICH

PIRELLI Société Générale, the Basle-based holding company linked to the Italian industrial concern, lifted its net profit from SwFr 23m ($9m) to SwFr 24.4m for the year to April 30.

Share capital was increased during the year from SwFr 272.2m to SwFr 300m, and the company is to pay its shareholders – Pirelli SpA and Société Internationale Pirelli – an unchanged dividend of SwFr 60 per share.

For the same business period, the consolidated accounts of the company together with its subsidiaries, Pirelli Finance (Holding), Pirelli Financial Services and Limaga, showed an increase in net earnings from SwFr 29.5m to SwFr 33.1m.

Pirelli Société Générale says it had "further developed and strengthened" its financial and managerial services to companies in the group.

● Asuag-SSIH, the leading Swiss watch-industry company, announces that business was "good" in the first months of 1985, with results likely to show a further improvement for the year as a whole.

The Bienne-based company last year booked a consolidated net profit of SwFr 26.5m ($10.5m), compared with a corresponding loss of SwFr 172,632 in 1983. At the same time, parent-company net earnings had risen from just under SwFr 420,000 to almost SwFr 9.28m.

At yesterday's annual meeting, shareholders approved the transfer of SwFr 8.75m of the parent company's profits to reserves with the remainder to be carried over.

● Nova-Park Hotel Management of Zurich has been bought by two Swiss businessmen, M Serge Tschopp and M François Rielle, for SwFr 5m ($1.98m) plus an annual rent of SwFr 5m for 10 years.

The company operates Zurich's Nova-Park Hotel, which has an annual turnover of some SwFr 30m. It was taken over by two American financiers, Mr Phil di Sanza and Mr Ron Oehl, last winter when they saved the Nova-Park group's holding company from bankruptcy on a claim of SwFr 5.1m by the local subsidiary of a West German bank.

Amexco in Japanese securities move

AMERICAN EXPRESS is to terminate banking in Japan and switch to securities business in view of its greater growth potential in the country, Kyodo reports from Tokyo.

The U.S. group's subsidiary, American Express Bank, was to close its branch in Tokyo – established in 1954 – and another Amexco subsidiary, Shearson Lehman Brothers, would seek a Finance Ministry licence to do securities business in Japan, officials said.

The move is designed to meet a Japanese law barring banks from doing securities business. A Finance Ministry official said it would clear the way for Amexco to launch securities operations in Japan.

The Amexco officials said the company hoped to begin securities business within the next two years, possibly early in 1986.

Apple implements survival strategy

BY OUR FINANCIAL STAFF

APPLE COMPUTER, the Californian pioneer of the personal computer business, has announced a sweeping reorganisation of its sales and marketing efforts for its Apple II and Macintosh models, as part of its strategy to survive the severe downturn in the personal computer market.

Mr John Sculley, Apple's president, told a conference in San Francisco late on Wednesday that the company would disband its direct sales force of 60, which has been selling Apple equipment directly to large corporate and university customers, and would in future rely mainly on its dealer network.

Mr Sculley also confirmed that Apple expected to report a loss for its third quarter, which ends on June 30, although he declined to forecast a figure.

The Apple president's remarks constituted his first public statement since the management reshuffle two weeks ago in which Mr Steven Jobs, the company's chairman and co-founder, was effectively removed from day-to-day management responsibilities.

Mr Sculley said the company would launch a new marketing programme for the Macintosh on July 1. As part of that, dealers would be supplied with a wider range of accessories by Apple itself and with more software – items on which dealers can earn higher profits.

In addition to making its peace with its dealer network, which has in the past often criticised Apple's marketing approach, the company also hinted that it was prepared to work more closely with outside equipment suppliers.

Esselte seeks to buy Boorum and Pease

By Kevin Done in Stockholm

ESSELTE Business Systems, the U.S. subsidiary of the Swedish office supplies, publishing and packaging group, is seeking to take over Boorum and Pease, the U.S. office supplies company, in a deal worth $43m.

Esselte is bidding $39 per share, and the offer has already been accepted by the private family which controls some 54 per cent of the Boorum and Pease equity.

Boorum and Pease had a turnover last year of some $70m and a workforce of more than 1,000. Esselte said the company was one of the oldest U.S. producers of office supplies

Esselte is aiming to integrate the Boorum and Pease operations with its North American Esselte Pendaflax activities, which currently have production facilities at 12 locations in the U.S. and Canada.

Products of the two operations were complementary, said the company.

BASF expects 10% sales rise

BY OUR FRANKFURT STAFF

BASF, the West German chemical group, has continued to boost its sales revenue, especially abroad, and is hoping for a further increase in earnings this year.

Group sales in the first half of this year are expected to show a rise of 10 per cent to DM 22.3bn ($7.33m) while parent company sales are expected to rise by 5 per cent to DM 10.36bn.

Dr Hans Albers, chief executive, told the shareholders' meeting in Ludwigshafen yesterday that, although the main impetus to growth was coming from markets abroad, the domestic market had also shown signs of picking up more strongly. In the U.S., the upswing was flattening out, he added.

BASF and the other two major chemical groups, Hoechst and Bayer, all enjoyed a substantial increase in sales and earnings last year, and all lifted their dividends to DM 9 from DM 7 for 1983. Although the industry has been cautious about the likely rate of growth this year, the major companies have begun the year very strongly.

Dr Albers said that, as part of its strategy, BASF aimed to build up business in growth markets abroad.

It was disclosed earlier this week that BASF plans to add to its U.S. fibres activities by acquiring American Enka from Akzo, the Dutch chemicals and fibres concern. American Enka had sales revenue of nearly $500m last year, with two thirds of its business in nylon fibres and the rest in polyester and rayon products.

The deal, which still has to be approved by U.S. authorities, comes shortly after BASF agreed to buy the Inmont motor vehicle coatings and printing ink concern for $1bn

British banks come to market

BY ALEXANDER NICOLL IN LONDON

TWO BRITISH banks launched bond issues yesterday while Statoil, the Norwegian state oil company, issued a straight dollar Eurobond which, for the first time, carries no government guarantee.

Barclays Bank is making a straightforward, though aggressively priced, $250m Eurobond issue, for five years with a 10⅛ per cent coupon and 100⅛ per cent pricing. The issue, in the name of a Jersey subsidiary with a parent company guarantee and led by Barclays Merchant Bank with Salomon Brothers International, counts as senior debt.

Meanwhile, indicated terms were set for National Westminster Bank's SwFr 300m bond with equity warrants. This is the largest foreign issue in the currency since the SwFr 200m ceiling was raised last month. It is the first Swiss issue by a British bank with equity warrants, though it is not NatWest's first warrant issue. In 1969, equity warrants were included in a deal to buy Lombard Banking.

The bonds will have a 10-year life and an indicated yield of 4¾ per cent. Each SwFr 5,000 nominal amount is expected to carry one warrant to buy 200 shares during the first five years of the bond's life, at a premium over the current share price of about 15 per cent. If all the warrants were exercised, NatWest would issue 12m new shares, just over 3 per cent of its expanding capital. Final terms will be set by lead manager Handelsbank, a NatWest subsidiary, on July 3.

In the dollar sector, secondary market prices edged higher through the day following the successful U.S. Treasury auction on Wednesday, with some Far Eastern buying seen. The market benefited from a slowing in new issues, with no new floating-rate notes appearing.

BHF Bank bond average		
June 27		Previous
103.054		103.026
High	1985	Low
103.096		99.840

The day's best-received issue was that for Statoil, a $170m issue for five years with a 10 per cent coupon and 100¼ per cent pricing, led by Deutsche Bank with Citicorp International Bank and Salomon Brothers International.

Despite the lack of an explicit government guarantee, the Statoil issue did well, aimed – like the Barclays issue launched later in the day – at a market for five-year paper.

In West Germany, the Bundesbank announced that nine D-Mark Eurobonds totalling DM 1.83bn, were planned for July comprising seven straight issues and two dual-currency bonds. If issued, these would be the first of their kind launched in West Germany following the May 1 liberalisation of German capital markets, which has opened the way to a number of new borrowing instruments.

Principal or interest repayments of a dual-currency bond are in another currency, probably dollars, offering buyers an exchange-rate play.

The July total is expected to be absorbed easily by the market. Significantly, no floating-rate or zero-coupon issues, also allowed only since May 1, are planned in July following a patchy response to the first ventures. Of the planned total for June, three still remain to be issued, although at least two are believed to have been dropped from this month's calendar.

The German market moved quietly higher yesterday, helped by downward pressure on short-term interest rates.

The secondary market in Ecu issues also rose yesterday, showing gains of up to ¾ point.

In Switzerland, Nippon Telegraph and Telephone, which issued a $100m straight Eurobond earlier this week, yesterday launched a SwFr 150m 10-year issue with an indicated yield of 5⅝ per cent, led by Union Bank of Switzerland. These are the first issues by the borrower without a guarantee from the Government, which still owns the company but plans to privatise it. Both have been seen as aggressively priced.

Ferrovie, Italy's state railway concern, is making a SwFr 100m eight-year floating-rate issue, expected at ⅛ point above London interbank offered rates (Libor) for six months. The issue is led by Banque Gutzwiller, Kurz Bungener. The issue was in the market in May as a two-tranche deal but was postponed due to Italian legislative changes.

A SwFr 70m convertible issue is planned by Nippon Zeon, a synthetic rubber manufacturer, at five years with an indicated coupon of 1⅝, led by Crédit Suisse.

Kyotaru, a sushi restaurant chain, is making a $30m 10-year convertible issue, priced as indicated with a 3½ per cent coupon and 5 per cent conversion premium.

International bond service, Page 26

IMI to raise $100m

BY PETER MONTAGNON IN LONDON

ISTITUTO Mobiliare Italiano, Italy's state credit institution, is raising $100m in the Euromarkets through a revolving credit arranged by Sanwa Bank International.

The deal bears what is believed to be a new low on margins for Italian credits, partly reflecting the popularity of IMI as a borrower and partly also the competition facing the Eurocredit market from other instruments, notably Euronotes

It carries an annual commitment fee of 10 basis points, and drawn funds will bear interest at a margin of ⅛ point for the first two years rising thereafter to ¼ point.

The deal is a multicurrency one in which funds can be drawn in currencies other than the dollar, including specifically Ecus and Euroyen. IMI intends to draw half the funds this year and the remainder in 1986.

INTERNATIONAL COMPANIES and FINANCE

Power Corp sells large stake in CP

BY BERNARD SIMON IN TORONTO

POWER Corporation of Montreal, an investment holding company, with interests in forest products and financial services, has relinquished its position as the second largest shareholder in Canadian Pacific, the giant transport and industrial conglomerate.

It has sold its CP shares to two Toronto investment dealing concerns, which are offering them to the public.

In a surprise announcement on Wednesday, Power said it had sold 10.1m ordinary shares and 1.3m shares held by its Consolidated Bathurst affiliate to Gordon Capital Corporation and Dominion Securities Pitfield.

The shares were sold at C$19.25 making a total of C$218.8m ($160.9m).

The Power and Consolidated Bathurst stake represented just under 6 per cent of Canadian Pacific's issued ordinary shares. Power bought its shares in CP four years ago, but following a controversy over the purchase it agreed not to raise its interest to more than 15 per cent.

Power was widely expected to increase its shareholding by taking over at least some of the 9.9 per cent interest of the Quebec pension fund Caisse de Dépot.

Power Corp said the sale of its CP shares would improve cash flow and further strengthen its financial position. The company's interests include a 40 per cent stake in Consolidated Bathurst and investment in various financial service companies including Pargesa, the Geneva-based group.

Unipart in new venture

BY JOHN GRIFFITHS IN LONDON

UNIPART, the parts and accessories arm of Britain's BL car group, is expanding into the cellular car telephones business as part of a strategy to strengthen the business ahead of its privatisation later this year.

Unipart is embarking on the venture with help from AT&T, the U.S. communications group which invented the cellular technology.

Mr John Neill, managing director, believes cellular car telephones represent one of the few major new growth opportunities in the car aftermarket, which has been hit by fierce competition together with reduced demand as the result of improved parts reliability and longevity.

Unipart has set up a new company, Unique-Air, to handle the business. Mr Neill says it will differ from most other operators in the field by providing a full range of services.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for June 27.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex Credit 10⅞ 90	100	101	101½	+0⅛	−0⅞	10.52
Amex Credit 12⅜ 88	150	† 106¼	106¾	+0⅝	−0⅝	10.16
Bank of Tokyo 13⅜ 91	100	112⅞	113⅜	+0⅝	−0⅝	10.56
BP Capital 10½ 94	100	† 101¼	101¾	+0¼	+0¼	10.77
BP Capital 11⅛ 92	150	101½	102	+0¼	−0¼	10.71
Caisse Nat Tele 13¾ 91	100	113⅛	113⅝	+0⅝	−1	10.01
Canada 11½ 90	500	105	105½	+0⅜	−1½	10.02
Canadian Pac 12½ 89	75	107⅞	108⅜	+0⅝	−0¾	11.31
CBS Inc 11⅞ 92	100	† 101⅞	102⅜	+1	−0⅞	10.82
Chevron U.S.A. 12¼ 89	600	104¼	104¾	+0½	−0½	10.84
Citicorp 11½ 95	150	† 100	100½	+0⅛	+0⅛	11.45
Coca Cola 11¾ 91	100	106⅜	106⅞	+0½	−1⅜	10.24
Denmark Kingdom 11¼ 89	100	102	102½	+0⅝	−0⅛	10.49
Denmark Kingdom 11½ 90	100	101¾	102¼	+0⅛	−2⅛	10.93
Denmark Kingdom 11½ 92	100	101¼	101¾	−0¼	−2½	11.15
Denmark Kingdom 13¼ 91	100	110½	111	+0⅝	−1¼	10.77
Denmark Kingdom 14 91	100	109½	110	+0½	−0½	11.66
E.E.C. 11⅛ 90	100	102½	103	+0⅝	−1⅛	10.31
E.I.B. 12 95	200	106½	107	+0⅝	−2⅛	10.84
E.I.B. 13 96	200	110	110½	+1¼	−1	11.32
Export Dev Corp 12 89	100	105¾	106¼	+0⅝	−0⅝	10.18
Ford Motor Cred 11⅝ 90	100	101⅞	102⅜	+0⅜	0	10.73
Ford Motor Cred 11⅝ 95	100	101⅝	102⅛	+0¾	−0⅝	11.27
Ford Motor Cred 11¾ 92	100	102½	103	+0¼	−1⅜	11.14
Ford Motor Cred 12 95	100	104¾	105¼	+0⅛	−0⅛	11.10
Gen Elec Credit 10¾ 00	200	99¾	100¼	+0⅜	−1	10.26
GMAC 10¼ 89	200	99¾	100¼	+0½	−0⅞	10.24
IBM Credit 10⅜ 2000	300	† 100½	101	+0¾	−1	10.26
Indust Bk Japan 12⅞ 89	100	106⅜	106⅞	+0¾	−0⅜	10.24
Japan Air Lines 13⅜ 94	100	117	117½	+0¼	−1⅛	10.35
Kellogg Company 10⅞ 90	100	101½	102	+0⅝	−1	10.34
Kellogg Company 11¼ 92	100	102⅜	102⅞	+0⅞	−1⅞	10.64
L.T.C.B. 12⅞ 91	100	108	108½	+0⅜	−1¼	10.76
Macy Cred Corp 11¾ 95	100	103½	104	+0¼	−2¼	11.07
Mellon Bank 13 87	100	105⅝	106⅛	+0¼	−0⅜	9.93
Merrill Lynch 12¾ 89	100	105⅛	105⅝	+0¼	−0½	11.00
Minnesota 11½ 87	100	103	103½	0	−0½	9.80
Mitsui Trust 11⅝ 90	100	102¾	103¼	+0¼	−1¼	10.82
Morgan Guaranty 12⅜ 89	150	† 105¾	106¼	+0¾	−1	10.53
Nippon Cred Bk 13⅞ 89	100	110⅜	110⅞	+0⅜	−0½	10.59
Nth America 12⅞ 91	100	† 104½	105	+0⅜	−1⅞	11.73
Penney J.C. 12¾ 91	100	† 107⅞	108⅜	+1¼	−0⅛	10.85
Pru Realty secs 12⅜ 95	546	† 105¾	106¼	0	−2⅜	11.65
Quebec Hydro 11½ 92	100	104¼	104¾	+0¼	−1⅝	10.57
Ralston Purina 11¾ 95	150	104⅜	104⅞	+0¾	−1½	10.95
Ralston Purina 12¾ 89	100	107¼	107¾	+0¼	−1	10.46
Royal Bk Can 12¾ 92 XW	100	101½	102¼	+0¼	−1⅛	12.28
Saskatchewan 10 3/4 92	100	100⅝	101⅛	+0⅝	−1¼	10.64
Saskatchewan 11 7/8 89	100	† 105⅞	106⅜	+0⅞	0	10.04
Statoil 13½ 89	100	110⅝	111⅛	+0⅝	−0½	10.10
S Wales Tray 11¾ 90	150	104½	105	+0¾	−0¾	10.43
Swed Exp Cred 10 92	100	96¾	97¼	+0⅝	0	10.63
Swed Exp Cred 12¾ 89XW	100	106⅞	107⅜	+0¾	−0⅜	10.63
Sweden Kingdom 10⅞ 90	200	101½	102	+0⅞	−1	10.39
Sweden Kingdom 11½ 89	200	103¾	104¼	+0⅝	−1⅛	10.39
Sweden Kingdom 11¾ 94	100	105½	106	+0⅝	−1¼	10.73
Texaco Capital 12⅞ 87	300	104⅞	105⅜	0	−0⅞	10.80
Tokai Asia 11½ 95	100	102¾	103¼	+0¾	−0½	10.98
Victorian Rep 11⅝ 92	150	103⅞	104⅜	+0¼	−1⅝	10.73
World Bank 12¼ 94	150	108½	109	+0½	−1¾	10.70
World Bank 12⅞ 94	200	111½	112	+0⅝	−1¾	10.70

Average price change On day +0½ on week −1⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 8 94	200	103⅛	103⅝	0	0	7.45
Austria Republic 7⅝ 94	200	101⅛	101⅝	+0¼	+0⅜	7.37
Baxter Travenol 7¼ 94	200	101¼	102	0	−0⅝	6.98
Credit National 8⅛ 94	200	104⅝	105⅛	−0⅛	−0¼	7.35
Degussa Int Fin 7½ 94	100	103¾	104½	−0⅛	−0⅛	6.94
E.E.C. 8 92	200	103⅞	104⅝	0	0	7.35
E.I.B. 7¾ 94	300	† 100	100½	+0⅛	0	7.20
Escom 8 92	150	99¾	100¾	−0⅛	0	7.94
Ferrovie Dello Stato 8 91	100	103¼	104	0	−1⅛	7.29
Finland Republic 7 92	200	98⅝	99⅜	0	−0½	7.18
Gould Int Fin 7⅝ 91	100	103	103¾	0	−0⅛	6.90
Ireland 8⅛ 92	150	102¼	103	−0⅛	−0⅜	7.62
Japan Fin Corp 7⅝ 91	100	102⅞	103⅝	+0⅛	+0¼	6.94
Mitsubishi Hvy 3½ 89WW	300	120¼	121¾	−0½	+4¾	−1.84
Mitsubishi Hvy 3½ 89XW	300	90	90¾	0	+0⅛	6.45
Mitsubishi Met 3⅛ 89WW	100	100	101	−0¼	−0½	3.09
Mitsubishi Met 3⅛ 89XW	100	86¾	87½	+0⅜	+0⅛	6.52
Pepsico O/S Fin 7¾ 94	250	103¾	104¼	+0⅛	+0⅜	6.82
Rente 7¾ 95	100	† 100	100½	0	−0¼	7.71
Renown 3⅛ 90	80	103¾	104¾	+0¼	−0¼	2.22
Reynolds O/S Fin 7⅞ 94	125	102⅝	103⅜	0	−0½	7.81
Societe Cent Nucleaire 8 91	100	104¼	105	+0⅛	+0⅜	7.03
Sth African Tran 7⅝ 92	100	96⅛	96⅞	0	−0¼	8.26
World Bank 7¾ 89	100	102	103	0	0	6.93
World Bank 8 94	200	105	105¾	+0⅛	−0⅛	7.13

Average price change On day 0 on week +0¼

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev Bk 6¼ 94	100	† 101½	101¾	0	+0¼	6.01
Avon Cap Corp 5⅞ 94	130	† 98¼	98¾	−1⅜	−0⅛	5.58
Brit Land Comp 6½ 99	75	† 103	103½	+0⅜	+0⅜	6.15
Council of Europe 6 92	120	† 101	101¼	+0⅜	−0½	5.80
Creditanstalt 5½ 94	100	† 97	97½	−0⅛	−0⅞	5.88
Deutsche Bk Fin 5⅜ 95	100	† 100¼	100½	−0½	−0¼	5.32
E.I.B. 5⅞ 94	120	† 101	101¼	0	−0¼	5.71
Export Dev Corp 5⅜ 92	125	† 99½	100	−0⅝	−0⅝	5.41
Gen Occidentale 4½ 94	80	† 102¼	102½	+0¼	+0½	4.19
I C Industries 5⅝ 94	125	† 100¼	100½	0	+0¼	5.57
Ind Fund Fin 5¾ 94	40	† 100	100¼	0	−0¼	5.78
Int–Am Dev Bk 6⅛ 94	120	† 101¾	102	+1	0	5.85
N.Zealand steel 5¾ 96	70	† 98¾	99	0	0	5.88
Oberos Kbek 5⅜ 95	100	† 98½	98¾	0	−0⅛	5.56
Ralston Purina 5¾ 94	125	† 100½	100¾	+0¾	+1	5.28
Santos Finance Ltd 6 94	130	† 98½	98¾	−0¼	0	6.19
Tokyo Elec Pwr 5½ 93	120	† 99¾	100	−0¼	−0¼	5.51
Tokyo Metropolis 5¼ 94	80	† 98¾	99	+0¼	0	5.40
World Bk 5¾ 94	150	† 100	100¼	−0½	−0¾	5.73

Average price change On day −0⅛ on week −0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Austria Republic 7 95	30	99¾	100¼	+0¼	+0¼	6.98
BP Overzee 7 92	17	100⅜	100⅞	+0⅛	0	6.87
Fed Natl Mort 6⅞ 92	50	99¼	99¾	+0⅜	+0⅜	6.98
Finland Republic 6¾ 90	15	99⅜	99⅞	+0⅛	−0⅛	6.84
World Bank 6⅝ 90	25	99½	100	+0¼	0	6.68

Average price change On day +0¼ on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 13¼ 90 $A	40	103	104	−0⅛	−0⅛	12.25
Avco Fin 14 90 $A	35	100⅞	101⅝	+0⅛	+0⅜	13.63
BT Aust. 13⅞ 92 $A	40	103½	104½	−0⅜	−0⅜	12.93
Westpac 13½ 88 $A	50	101⅝	102⅝	−0⅜	−0⅛	12.62
Bell Canada 12¼ 97 C$	125	† 104⅝	105⅛	0	−1¼	11.46
British Columbia 12 90 C$	125	† 102⅝	103⅛	0	−1⅜	11.17
Can Nat Rail 12½ 95 C$	100	† 104¾	105¼	0	−1½	11.60
Chrysler Cred 12⅝ 92C$	60	† 102½	103	0	−1¼	12.01
Desjardins 12½ 90 C$	50	† 102½	103	−0⅛	−0¾	11.71
E.I.B. 12 95 C$	75	† 102	102½	0	−1⅛	11.60
New Brunswick 11⅝ 95C$	75	† 99⅞	100⅜	+0¼	−1⅜	11.60
Nordic Inv Bk 16 90 NS	50	† 100	101	0	−0½	15.68
NZ Forest 15¾ 92 NS	30	† 95	96	0	+0¼	16.45
Woolworth 16¼ 91 NS	25	† 101	103	−0¼	−0¼	15.66
N.Z Govt. 9¼ 90 ECU	100	† 99½	100	0	−1	9.31
N.Z Govt. 9½ 92 ECU	100	† 99⅞	100⅜	0	−0⅝	9.47
Rabobank 9⅝ 95 ECU	75	† 103	103½	0	−0⅝	9.10
Eurofima 7½ 92 FL	50	101	101½	0	−0¼	7.26
Philips Lamps 7½ 90 FL	100	101¼	101¾	0	−0⅝	7.11
Rank Xerox 8 90 FL	100	102⅞	103⅜	+0⅛	0	7.30
Van Lanschot 7½ 90FL	50	100⅝	101⅛	−0⅛	−0¼	7.28
World Bank 7½ 90 FL	150	100¾	101¼	0	−0¼	7.24
Gaz de France 11¼ 00FF	500	99⅞	100⅜	+0⅛	−0⅜	11.22
American Brands 12 95 £	40	103¾	104¼	0	−0⅛	11.27
Amer Express 11⅜ 92 £	30	103⅛	103⅞	+0⅛	+0¼	10.68
Australia Comm 11 92 £	40	98½	99	+0⅛	+0⅛	11.25
BP Capital 10¾ 92 £	50	97¾	98¼	0	−0⅝	11.16
E.I.B. 11⅛ 93 £	50	100⅜	100⅞	0	+0⅛	10.98
Inco 12¾ 98 £	50	† 102½	103	−0⅜	−0⅜	12.14
Mcdonalds 10⅞ 90 £	40	98¾	99¼	−0⅛	−0¼	11.13
Norsk Hydro 11⅝ 91 £	50	101½	102	−0¼	−0½	11.16
Privatbanken 11⅞ 92 £	20	100	100½	−0⅛	+0⅛	11.80
Rank Xerox 11 92 £	40	98¾	99¼	0	+0⅛	11.20
Royal Trustco 11¾ 98 £	30	99⅝	100⅛	−0⅛	+0⅜	11.38
Star Drug Cap 10⅞ 90 £	30	99⅜	99⅞	+0⅛	0	11.23
Swed Exp Cred 11⅛ 92 £	50	100¼	100¾	+0⅛	−0⅛	11.24
Trusthouse Forte 11⅛ 90£	50	97¾	98¼	0	−0⅛	11.66
World Bank 11¼ 95 £	100	101¼	101¾	0	+0¼	10.98
E.C.S.C. 10½ 94LF	100	† 105	106	+0¼	+0⅜	9.86
Nat Lux Alum 10½ 92 LF	600	† 105¾	106¾	+0⅜	−0⅛	9.25

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
B.B.L. Int 5 99	0⅛	100⅜	100⅝	11/10	9⅝	9.58
Banco di Roma 5¼ 92	0	99⅜	99⅝	24/6	7.98	8.02
BankAmerica O/S 5¼ 96	0¼	99⅞	100⅛	28/6	8.81	8.81
Bank of Montreal 5 96	0⅛	100⅝	100⅞	28/7	8¾	8.65
Bankers Trust 5 2000	0	99½	99¾	11/6	8.81	8.85
Bankers Trust 5¼ 96	0⅛	100	100¼	13/8	8.56	8.55
B.F.C.E. 5¼ 99	0⅛	100⅜	100⅝	13/9	10.06	10.01
B.N.P. 5¼ 95 (July)	0¼	100	100¼	22/7	9⅛	9.11
C.C.F. 5¼ 97	0	99½	99¾	22/9	10⅝	10.65
Chase Man'tn 5¼ 2009	0⅛	99¾	100	5/6	9.69	9.70
Citicorp O/S 5¼ 98 Sep	0⅛	99¾	100	19/12	11.19	11.20
Credit Lyonnais 5¼ 96	0⅛	100½	100¾	11/10	9.69	9.63
Dresdner Fin 5¼ 89	0	99⅞	100⅛	25/6	9⅜	9.39
Ireland 5¼ 97	0	100¼	100½	28/10	8.88	8.85
Ireland 5¼ 99	0	100½	100¾	14/8	10	9.96
Italy, Republic 5 94	0⅛	100	100¼	12/11	8⅞	8.86
Lloyds Euro 5 2004	0⅛	100⅛	100⅜	18/10	9⅛	9.10
Midland Bank Perp 5	0⅛	99¼	99½	13/6	9	9.07
Nat West–Perp 5 99	0⅛	100¾	101	13/11	9⅛	9.05
Nat West Perp A 5¼ S	0¼	99⅛	99⅜	9/7	5¼	5.29
Nat West Perp B 5¼ S	0¼	99⅛	99⅜	3/8	5¼	5.29
Queensland Coal 5¼ 98	0¼	100⅜	100⅝	12/11	9	8.96
Roy Bk Scot 5¼ 2005 £	0	98⅛	98⅜	2/8	12.01	12.21
Sweden Perp 5¼ 85	0¼	100⅛	100⅜	9/7	9.44	9.41
Total 5¼ 99	0⅛	100¼	100½	12/6	9.94	9.88

Average price change On day 0 on week −0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1063.64	97⅞	98⅞	−0¼	0.76
Fanuc 3¾ 98	1/84	7092.3	142⅛	143⅝	+0⅜	35.20
Fujitsu 3 99	5/84	1320.9	81¾	82¾	+0½	18.58
Kumagai Gumi 3½ 2000	3/85	800.	116⅛	117⅛	−0¼	4.43
Marui 3½ 99	7/84	1162	99⅛	100⅛	−0⅜	0.87
Mitsubishi Elec 2⅞ 00	3/85	422	93¼	94¼	+0⅛	−1.86
Murata 3½ 99	2/84	2351.2	90⅜	91⅜	−0¼	24.82
Murata 3½ 2000	7/84	2398	90½	91½	−0½	27.80
Nippon Elec 2⅞ 2000	1/85	1295	81⅞	82⅞	+0¼	6.48
Nippon Oil Co 3 2000	5/85	923	102⅜	103⅜	−0⅜	−1.25
Nippon Oil Co 3¼ 99	3/84	1052	90¾	91¾	−0⅛	8.47
Oki Elec Ind 3½ 99	10/84	905	88	89	0	26.58
Orient Leasing 5¼ 98	6/83	2880	100	100½	−1⅛	−5.28
Sekisui House 3 99	6/84	612	111⅛	112⅝	+0⅜	2.76
Sony Corp 2 2000	5/85	4578	88	89	−0¼	9.84
Sumitomo Corp 2⅝ 99	5/84	393	121⅛	122⅛	+0¼	4.90
Taiyo Yuden 3¼ 2000	3/85	1078	85¾	86¼	0	−2.01
Takeda Riken 3⅞ 2000	10/84	7083	81½	83	−0¼	22.71
Tokyo Sanyo Elec 3½ 99	12/84	772	87⅜	88⅜	+0⅜	1.17
Toshiba Ceramics 3 2000	4/85	1734.2	82⅝	83⅝	+0⅜	−0.81
Nippon Oil Co 2½ 92 SF	3/84	1052	† 105½	105¾	−0¼	7.37
Nippon Shinpan Co 2 92 SF	3/84	807	† 106	106¼	−0⅛	12.80
Asics 5 92 DM	12/83	520	106⅜	107⅞	−1½	22.84
Sun Realty 6¼ 92 DM	2/83	338	283⅞	284⅞	−0⅜	−4.59

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week—Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. dte—Date next coupon becomes effective. Spread—Margin above six-month offered rate (‡‡ three month; § above mean rate) for U.S. dollars. C.cpn—current coupon. Cr. yld—current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day—Change on day. Cnv. date—First date for conversion into shares. Cnv. price—Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem—Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Rescue for small New York bank

THE Hongkong and Shanghai Banking Corporation has rescued Golden Pacific National Bank, a small bank in New York's China town, which was closed last Friday after a run on its deposits, writes William Hall in New York.

The Federal Deposit Insurance Corporation (FDIC), which is responsible for insuring the deposits of U.S. banks up to $100,000, announced that the four offices of Golden Pacific would reopen tomorrow as branches of Hongkong and Shanghai and that the vast majority of its customers would be able to withdraw their money.

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INTL. COMPANIES & FINANCE

Simex tries prize-giving to help put business on winning course

BY CHRIS SHERWELL IN SINGAPORE

NINE MONTHS after the Singapore International Monetary Exchange (Simex) started financial futures trading, Mr Ng Kok Song, its chairman, has given the first official verdict on its growth so far. His conservative judgment—"satisfactory"—is echoed by market users.

Simex is Asia's first financial futures exchange and is unique in having a "mutual offset" link with the Chicago Mercantile Exchange, an arrangement which paves the way for round-the-clock global futures trading. Like all futures exchanges, Simex's principal purpose is to offer an opportunity for hedgers to manage risk.

When it opened last September, Simex offered a three-month Eurodollar interest rate contract and a U.S. dollar-D-mark foreign currency contract. Two months later trading began in a second currency contract, for the U.S. dollar against the yen. All three financial instruments followed the start of gold futures trading in Singapore some six years earlier.

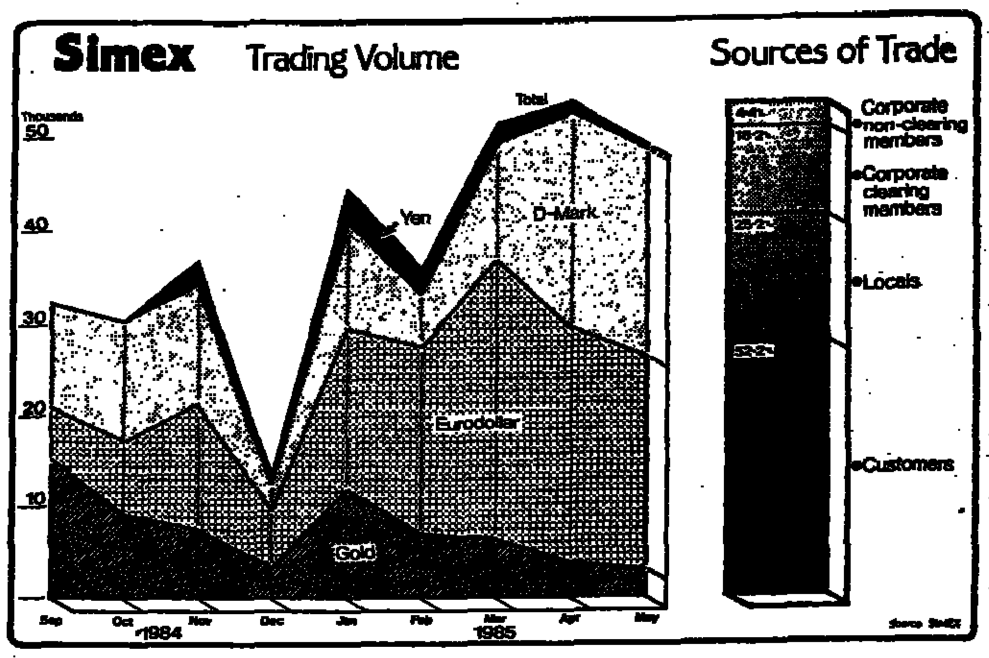
Figures for the number of contracts traded show an underlying growth over the first eight months, despite a seasonal hiccough in December and other dips in reaction to specific market factors. Total daily volume topped 2,000 by January, and the aim is 4,000 before the end of the year. Last Friday was Simex's best single day yet, with 4,158.

Of this figure, fully 3,207 were accounted for by the Eurodollar contract, and Mr Ng says in Simex's annual report published this week, that this contract has shown the fastest growth. The D-mark contract has shown "modest success," he says, while the yen and gold contracts have been "disappointing" and "lacklustre."

One experienced analyst of futures markets points out that contracts are most successful when relative volatility is superimposed on what is basically a bullish trend in the traded item.

In the case of Simex, the Eurodollar and D-mark contracts have benefited recently from perceptions that U.S. interest rates and the U.S. dollar may have reversed paths. In the process banks and institutions have tried to hedge their interest rate and exchange rate risks.

By contrast the yen contract has attracted less interest, partly because the currency has been more stable than the D-mark, but also because Japanese residents are not yet permitted to deal in foreign futures exchanges. As for the gold contract, this is reckoned to have reflected investors' preference for financial assets.



The different performances neatly illustrate what many Simex participants call its "chicken-and-egg" problem. In the case of the yen and gold, an absence of volatility has dampened interest, but a lack of interest has meant little business can be done. The "locals"—the individual Simex members who stand ready to accept risks others wish to hedge—have gravitated naturally to the Eurodollar and D-mark contracts.

The mutual offset link with Chicago, under which positions opened on one exchange can be closed on the other, was intended, at least from Singapore's point of view, to help remedy this liquidity problem, and to judge from the figures it has. Simex says 30 per cent of its trading volume is accounted for by its members executing trades for customers of the Chicago exchange.

Just how well Simex's locals are doing, however, is difficult to gauge. Of the total of 130, 30 to 40 are constantly active in the pits. Others are still learning, while still others have dropped out of sight, apparently holding on to their seats as an investment. Up to half a dozen are reckoned to have lost most or all of their working capital.

According to Mr Ng, if 15-20 locals survive to become seasoned traders in three years' time, "we can count ourselves fortunate." Because so many have already turned out to be inactive, however, the exchange is making available a further 150 seats—on top of the initial 300. All are aimed at attracting new locals.

Simex's next step is to introduce a Japanese stock index futures contract using the Nikkei average of 225 shares quoted on the Tokyo Stock Exchange. This is plainly a less "real" financial futures instrument than the four existing items, and elsewhere such contracts have attracted mostly speculative interest. But that is precisely why it might prove a boost for Simex, because it should stimulate speculative support from locals.

Whether anyone else will be interested is another matter. Currently there are few close watchers of the Japanese stock market in Singapore, while the Japanese themselves are limited in what they can do abroad. Either way, Simex is planning to charge locals less to trade exclusively in the stock index contract.

In the meantime, the Singapore Government, ever concerned about the integrity of its financial institutions, is still in the process of drafting special legislation to regulate the futures business in the island state. Simex itself has begun setting up its long-planned compensation fund to protect customers from the default of any Simex member.

Simex is also pressing ahead with its marketing efforts abroad and, more importantly, its general educational efforts at home. In August it is organising a novel two-week open competition, in which participants can deal in the four existing contracts and the biggest profit earner will win a S$10,000 (US$4,465) cash prize.

According to several Simex users, such wider education and understanding of the exchange and the way it works is desperately needed in Singapore and the rest of Asia if it is to achieve long-term success. Even the normally reticent Mr Ng, who identifies the first priority as developing liquidity in existing contracts, says that in the longer term Simex should strive to be the institutional nucleus attracting trading capital and developing trading expertise in commodities and financial instruments.

Redemption Notice

PEUGEOT S.A.

£22,500,000 14% Bonds due August 1, 1990

NOTICE IS HEREBY GIVEN, pursuant to the Trust Deed, between Peugeot and The Law Debenture Corporation p.l.c. dated August 8, 1980 under which the above described Bonds were issued, that Citibank, N.A. as Principal Paying Agent, has selected by lot for redemption on August 1, 1985 through the operation of the Sinking Fund, £1,000,000 principal amount of said Bonds at the Sinking Fund redemption price of 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption. The serial numbers of the Bonds selected by lot for redemption are as follows:

29	1148	2157	4157	5337	6338	7438	8537	9584	10737	11784	12938	14129	15329	16357	17429	18457	19629	20638
37	1157	2184	4184	5338	6357	7457	8538	9629	10738	11837	12984	14137	15337	16384	17437	18484	19637	20648
38	1184	2229	4229	5348	6384	7484	8557	9637	10748	11857	13029	14138	15338	16429	17438	18529	19638	20657
57	1237	2237	4237	5357	6429	7529	8584	9638	10757	11884	13037	14157	15384	16437	17457	18537	19657	20684
84	1238	2238	4238	5384	6437	7537	8629	9657	10784	11937	13038	14184	15429	16438	17484	18557	19729	20729
129	1248	2257	4257	5429	6438	7538	8637	9729	10829	11938	13057	14229	15437	16457	17529	18584	19737	20737
137	1257	2284	4284	5437	6457	7548	8638	9737	10837	11948	13084	14237	15438	16484	17537	18629	19738	20738
148	1284	2329	4329	5438	6484	7557	8657	9738	10838	11957	13129	14238	15457	16529	17538	18637	19748	20748
184	1329	2337	4337	5448	6529	7584	8684	9784	10857	11984	13137	14257	15484	16537	17557	18657	19757	20757
229	1337	2338	4338	5457	6537	7629	8729	9829	10884	12029	13138	14284	15529	16538	17584	18684	19784	20784
237	1384	2357	4348	5484	6538	7637	8737	9837	10937	12037	13157	14329	15537	16557	17629	18729	19829	20829
238	1429	2384	4357	5529	6557	7638	8738	9838	10938	12038	13184	14337	15538	16584	17637	18737	19837	20837
257	1437	2429	4384	5537	6584	7657	8757	9848	10957	12084	13238	14338	15548	16629	17638	18738	19838	20838
284	1438	2437	4429	5538	6629	7684	8784	9857	10984	12137	13257	14357	15557	16637	17648	18757	19857	20848
329	1448	2438	4438	5548	6637	7729	8829	9884	11029	12138	13284	14384	15584	16638	17657	18784	19929	20884
337	1457	2457	4484	5557	6657	7737	8837	9937	11037	12157	13329	14429	15629	16657	17684	18829	19937	20929
338	1484	2529	4529	5584	6684	7757	8838	9948	11038	12184	13337	14437	15637	16684	17729	18837	19938	20937
348	1529	2537	4537	5629	6729	7784	8848	9957	11057	12229	13338	14438	15638	16729	17737	18838	19957	20938
384	1537	2538	4538	5637	6737	7829	8857	9984	11084	12237	13348	14457	15657	16737	17738	18857	19984	20957
437	1538	2557	4557	5638	6738	7837	8884	10029	11129	12238	13357	14484	15684	16738	17748	18884	20029	20984
438	1548	2629	4584	5657	6757	7838	8937	10037	11137	12257	13384	14529	15729	16757	17757	18929	20037	21029
457	1557	2637	4629	5684	6784	7848	8938	10038	11148	12284	13429	14537	15737	16784	17784	18937	20038	21037
484	1584	2638	4637	5729	6829	7857	8957	10057	11184	12329	13437	14538	15738	16829	17829	18938	20048	21048
529	1637	2648	4657	5737	6838	7884	8984	10084	11229	12337	13438	14557	15757	16837	17838	18948	20057	21057
537	1648	2657	4729	5738	6848	7929	9029	10129	11237	12338	13484	14584	15784	16838	17857	18984	20084	21084
538	1657	2684	4737	5757	6857	7937	9037	10137	11238	12357	13529	14637	15829	16848	17884	19029	20129	21129
548	1684	2729	4738	5784	6884	7957	9038	10138	11248	12384	13537	14638	15837	16857	17929	19037	20137	21137
557	1729	2737	4757	5829	6929	7984	9057	10157	11257	12429	13538	14657	15838	16884	17937	19057	20138	21138
584	1737	2738	4784	5837	6937	8029	9084	10184	11284	12438	13557	14684	15857	16929	17957	19084	20148	21148
629	1738	2757	4829	5857	6938	8037	9129	10229	11329	12457	13584	14729	15884	16937	17984	19129	20157	21184
657	1748	2784	4837	5884	6984	8038	9137	10237	11337	12484	13629	14737	15929	16938	18037	19137	20184	21229
684	1757	2829	4838	5929	7029	8057	9138	10238	11338	12529	13637	14757	15937	16957	18038	19138	20229	21237
729	1784	2837	4848	5937	7037	8084	9157	10257	11357	12538	13638	14784	15938	16984	18048	19157	20237	21238
737	1829	2838	4857	5938	7038	8129	9184	10284	11384	12548	13648	14829	15948	17029	18057	19229	20238	21248
757	1837	2848	4884	5957	7057	8137	9229	10329	11429	12557	13657	14837	15957	17037	18084	19237	20248	21257
784	1838	2857	4929	5984	7084	8157	9237	10337	11437	12584	13729	14838	15984	17048	18129	19238	20257	21284
829	1848	2884	4938	6029	7129	8184	9238	10338	11438	12629	13737	14857	16029	17057	18137	19257	20284	21337
837	1857	2929	4957	6037	7137	8229	9257	10348	11448	12637	13738	14884	16037	17084	18138	19284	20329	21338
838	1884	2937	4984	6038	7138	8237	9284	10357	11457	12638	13757	14929	16038	17129	18157	19329	20337	21348
848	1929	2938	5029	6048	7157	8238	9329	10384	11484	12657	13784	14938	16057	17137	18184	19337	20338	21357
857	1937	2957	5037	6057	7184	8248	9337	10429	11537	12684	13829	14957	16084	17138	18229	19338	20357	21384
884	1938	2984	5038	6084	7229	8257	9338	10437	11557	12729	13837	14984	16129	17148	18238	19348	20384	21429
929	1948	3037	5048	6129	7237	8284	9384	10438	11584	12737	13838	15029	16137	17157	18257	19357	20429	21437
937	1957	3038	5057	6137	7238	8329	9429	10484	11629	12738	13848	15037	16138	17184	18284	19384	20437	21438
957	1984	4029	5084	6148	7257	8337	9437	10529	11637	12748	13857	15038	16148	17229	18329	19437	20438	21457
984	2029	4037	5129	6157	7284	8338	9438	10537	11638	12757	13929	15057	16157	17238	18337	19438	20457	21484
1029	2037	4038	5137	6229	7337	8357	9457	10584	11657	12784	13937	15084	16184	17257	18338	19457	20484	
1037	2038	4048	5157	6237	7338	8384	9484	10629	11684	12829	13938	15137	16238	17284	18348	19484	20537	
1038	2084	4057	5184	6238	7348	8437	9529	10637	11729	12837	13948	15184	16257	17329	18357	19529	20538	
1048	2129	4084	5238	6248	7357	8438	9537	10638	11737	12838	13984	15229	16284	17337	18384	19537	20557	
1057	2137	4129	5257	6284	7384	8457	9538	10657	11738	12857	14037	15237	16329	17338	18429	19538	20584	
1084	2138	4137	5284	6329	7429	8484	9548	10684	11748	12884	14038	15257	16337	17357	18437	19557	20629	
1129	2148	4138	5329	6337	7437	8529	9557	10729	11757	12929	14084	15284	16338	17384	18438	19584	20637	

On August 1, 1985 there will become due and payable upon each Bond selected for redemption the said redemption price, together with interest accrued to the date fixed for redemption. Payment of the redemption price of the Bonds to be redeemed will be made upon presentation and surrender of said Bonds, with all coupons appertaining thereto maturing after the date fixed for redemption, at the offices of Citibank, N.A., 336 Strand, London WC2 and subject to applicable laws and regulations, at the main offices of Citibank, N.A., in Brussels, Frankfurt (Main), Paris, and Zurich, and at the office of Citibank (Luxembourg) S.A. in Luxembourg.

On and after the date fixed for redemption, interest on said Bonds will cease to accrue. Coupons due August 1, 1985 should be detached from the Bonds and presented for payment in the usual manner.

The following Bonds drawn for redemption in 1983 and 1984 have not yet been presented for payment:—

166	476	580	687	943	986	1040	1349	2875	4623	10734	18824
254	542	590	702	944	998	1042	1394	2880	4638	12601	19020
256	562	595	756	948	1002	1044	1397	3005	5898	14770	19866
383	571	678	841	949	1008	1058	1874	4559	8519	16875	21038

After August 1, 1985 £17,500,000 Bonds will be in circulation.

For PEUGEOT S.A.
CITIBANK, N.A., London
As Principal Paying Agent (C.S.S.I. Dept)

June 28, 1985

INTL. COMPANIES & FINANCE

Test for Japan's 'Sokaiya' code

Today 684 Japanese companies hold annual meetings in a joint bid to counter the country's extortionists and racketeers, known as "Sokaiya." YOKO SHIBATA reports.

A FIERCE struggle with extorists and racketeers, known in Japan as *Sokaiya*, has prompted 684 of the country's listed companies—representing some 83 per cent of those quoted on the stock exchanges which have year-ends in March—to hold their annual meetings on one day. The day is today.

Such a degree of co-ordination avert challenges by *Sokaiya*. Rehearsals of the meetings have already been held, with junior employees playing the role of *Sokaiya* in asking the company president every possible question. The Tokyo Metropolitan Police Department also plans to assign 2,860 staff to the meetings today in response to requests by the companies for a police presence.

Sokaiya extract money from companies in which they hold a minimal shareholding by threatening to disturb meetings with harrassing questions. In exchange for payoffs, *Sokaiya* offer various services such as warding off troublesome questions from other shareholders, just remaining silent, or staying away altogether.

Shareholders' meetings in the past took the form of a Japanese ceremony, conducted peacefully and in orderly fashion, usually within 20 minutes, and with all proposals unanimously endorsed. Reflecting Japan's economic success, however, *Cokaiya* had also become a thriving business up until October 1982 when a revised commercial code was put into effect to eliminate their influence.

Under the revised law, those owning less than 1,000 shares are barred from attending meeting. Executives can also be fined for providing any sort of payoffs or benefits, such as patronising businesses run by *Sokaiya*.

At present, about 1,000 *Sokaiya* are still believed to be operating, although the figure is down sarply from the 3,500 before the revision of the law, according to police estimates.

However, companies believe the number of *Sokaiya* is again on the increase and letters listing questions to ask at meetings are staid to have trebled this year.

Sokaiya nowadays purchase the minimum 1,000 shares in a victim company, then send a list of embarrassing questions which they intend to ask at the meeting. New tactics also include prolonging the meeting by asking repetitive questions.

Meetings held since the beginning of this year have generally lasted much longer than those of the previous year.

Asics, a sports goods maker, held out against the threats and let 20 *Sokaiya* do their worst at its April 28 meeting, having infuriated them by charging for postage stamps and photocopying company documents requested by the *Sokaiya*.

The 20 took turns in a marathon interrogation of management, questioning subsidiaries' activities, inventories and overseas debenture issues. As a result, Ascis executives had to endure an 11½-hour meeting, the second longest in Japan's history, after Sony's 13½-hour meeting in Feburary last year.

Sokaiya have become increasingly sophisticated, developing skills in accountancy and commercial law.

In ferreting out information on banks — which have expanded their activities markedly under the country's current financial deregulation *Sokaiya* are belived to have acquired a considerable knowledge of new financial instruments such as EuroYen bonds and floating rate notes, according to one official of one leading commercial bank.

Woodside plans rights offer

WOODSIDE PETROLEUM of Australia is to raise A$208.3m (U.S.$139.5m) through a one-for-three rights issue priced at A$1.25, **Reuter reports from Melbourne.**

Broken Hill Proprietary (BHP) and Shell Australia, which together hold 79.5 per cent of Woodside's 500m issued shares after their recent take-over offer, are to underwrite the issue.

The issue price compares with the current market level of A$1.48

Matsushita Electric ahead

BY OUR TOKYO AND FINANCIAL STAFF

MATSUSHITA Electric Industrial, the world's largest maker of electrical appliances, lifted parent company pre-tax profits 16 per cent to Y121.5bn ($489.1m) in the half-year to May 20, up from Y104.7bn.

Net profits advanced 7 per cent, from Y50.5bn to Y54bn, on sales which at Y1,646.5bn were up 9 per cent from the previous Y1,507.1bn. Earnings per share were Y30.24 compared with Y31.77, reflecting in part a 10 per cent free distribution of shares in January. The interim dividend was

For the remaining half-year, Matsushita sees a slowdown in exports of colour TVs and VCRs to North America, along with continued weak sales of electronic components.

● **Brother Industries**, a maker of sewing and business machines, said unconsolidated net earnings in the first half to May 20 rose 9.1 per cent to Y4.10bn from Y3.77bn. Sales were up 2.4 per cent to Y88.47bn from Y86.36bn

Brother said the first six months had gone as expected.

Elscint faces court action

ELSCINT, the Israel-based medical equipment company quoted on the New York Stock Exchange, faces a U.S. court action following a slide into losses in the year to March.

The company said the action under federal securities laws alleged that the company, its directors and certain employees improperly reported revenues and profits for the first three quarters of last year. Unspecified damages are being sought, but the company said it intends to defend the action.

Elders gives way on bank control issue

BY GORDON CRAMB

ELDERS IXL, the Australian group with wide-ranging activities in farming, brewing and finance, is now resigned to surrendering majority control over the retail bank which it plans to set up if it is granted federal approval.

It applied last November for a full banking licence, following regulatory reforms enacted under the current Labor Government. Clearance has not been readily forthcoming, however—a decision was originally expected by early this year—and the group has been forced to compromise in its negotiations with the Australian Treasury.

Mr John Elliott, Elders' managing director, told investment analysts in London that he expected the parent to be able to retain only 30 to 40 per cent in the proposed Elderbank. The bulk of the remainder would be offered to group shareholders, with about 15 per cent being placed with outsiders.

Elders had initially hoped to be allowed a wholly-owned retail banking operation, and has strenuously resisted Treasury pressure to take a foreign partner. Canberra officials have been concerned at the possibility that any severe downturn in Elders' other divisions could adversely affect the financial position of the bank.

Mr Elliott said he expected a Treasury decision in principle in about three weeks, with formal clearance nine weeks from now.

He insisted that Elders' existing activities in merchant banking and financial services would remain unaffected either way. He is nonetheles keen to have Elderbank as a flagship for a division which contributed A$15.2m to total net profits of A$72.2m in the year to last June.

Elderbank is intended to attract the business primarily of the country's agricultural sector, with which it is already closely allied through Elders Pastoral. The core business, which still provides a quarter of group earnings, embraces sales networks for wool, livestock and property and commands an almost unrivalled allegiance.

"We will basically be a retail bank operating in rural Austrlia," said Mr Elliott. "We have strong links with the farmers but at the moment they have to go and bank elsewhere."

He also confirmed that disposals by the group had more than met the requirements laid down by its bankers ahead of the A$998m purchase of Carlton and United Breweries (CUB) in December 1983.

Asset sales since then had realised some A$600m, compared with the A$400m which the company had pledged to raise in this way by the end of 1985.

Clearance for the latest tranche, of A$60m, is due to come today from shareholders in Mungana Mines, the vehicle chosen by Elders for the spinoc of its resources inteersts announced earlier this month.

Mungana, to be renamed Elders Resources, will draw together assets valued at A$227m, including gold and coal mining operations and a one-fifth stake in Bridge Oil, a leading Australian explorer.

Mr Elliott, who is due in November to take over the chairmanship of Elders IXL, will also head Elders Resources, in which the larger company will have a stake of just under 50 per cent. He said the move was prompted by the need to bring clarity to Elders IXL's disparate operations, as well as to give the new offshoot more freedom to manoeuvre in making exploration investments.

Elders Resources did "not necessarily want to take majority positions, as most Australian resource companies seem to do. We see ourselves very much as a mining house."

For the parent, he acknowledged that the CUB acquisition — the largest yet seen in Australia — had "taken some time to digest." Nonetheless, he added, "we continue to see scope for growth by acquisition." Future purchases of any size were likely to be made from among the service industries rather than in manufacturing and its main potential for overall growth lay outside Australia.

NOTICE OF PARTIAL REDEMPTION

THE KINGDOM OF DENMARK

Issue of US$ 250,000,000 12¾ % Notes due February 27, 1992 with 250,000 warrants to subscribe 12½ Notes due February 27, 1992.

Pursuant to paragraph "Redemption and Purchase" of the Terms and Conditions of the Notes, notice is hereby given that as a result of the exercise of Warrants, Notes for the aggregate principal amount of US$63,000,000 will be redeemable on July 29, 1985 at 101 per cent. of their principal amount, together with accrued interest (i.e. US$269.17 per denomination of US$5,000) from February 27, 1985 to the date of redemption.

The Notes bearing the following serial numbers have been drawn by lot in the presence of a Notary Public and may be presented to Kredietbank S.A. Luxembourgeoise, 43, Boulevard Royal, Luxembourg or to the other Paying Agents named on the Notes:

00001	00002	00004	00012	00019	00025	00033	00034	00035	00036
00037	00038	00041	00045	00051	00056	00059	00061	00062	00064
00065	00066	00075	00076	00077	00079	00097	00098	00102	00105
00111	00113	00118	00123	00125	00130	00135	00136	00142	00155
00159	00162	00169	00172	00173	00175	00181	00182	00184	00186
00189	00201	00202	00210	00212	00213	00214	00218	00220	00224
00230	00233	00235	00237	00239	00249	00250	00254	00262	00264
00267	00270	00271	00273	00275	00276	00277	00278	00279	00280
00286	00290	00291	00299	00302	00307	00308	00316	00320	00323
00325	00328	00331	00336	00341	00343	00358	00365	00373	00380
00382	00387	00392	00394	00398	00407	00409	00411	00416	00418
00419	00423	00431	00435	00445	00447	00448	00449	00452	00458
00460	00467	00469	00481	00484	00486	00490	00491	00492	00496
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APPOINTMENTS

Move towards integration at ANZ and Grindlays

The business of Australia and New Zealand Banking Group (ANZ Bank) in London and Grindlays Bank is being restructured. Mr Will Bailey, group managing director, ANZ Bank, said that the ultimate objective is to integrate Grindlays operations into that of ANZ. For the time being Grindlays will continue to function as a separate entity. Operationally the ANZ Group is moving to one corporate structure. The global headquarters for the group will continue to be located in Melbourne. London will be the regional administrative centre for the UK, Europe, the Middle East, Africa and South Asia. The investment banking division under Mr Adrian Evans and including stockbrokers Capel-Cure Myers is being developed as a separate entity and will relocate in Citicape House in London by the end of 1985.

★

Mr Jeffrey P. Addison has been appointed sales and marketing director of SCHRODER LEASING.

★

Mr Trevor Hails has been appointed to the board of ATLANTIC COMPUTER SYSTEMS as financial director. Mr Hails was previously with Lloyds Bank and Lloyds Leasing.

★

Mr T. George Wishart has been appointed as finance director of WALTER ALEXANDER, the Scottish-based industrial group. He continues as company secretary.

★

From July 1, **Mr Anthony Michael Haire**, currenly manager, has been appointed to the board of CATER ALLEN BANK (JERSEY).

★

Mr Michael Wilson, senior partner of Sheppards and Chase, and **Mr Norbert Danville**, general manager of BAII, have been appointed to the board of BAII HOLDING.

★

Mr David Hillman has been appointed as sales director of VINTEN INSTRUMENTS. Recently he has been with the nuclear controls division of Fisher Controls, where he was marketing manager.

★

Mr Richard Lloyd Jones, at present a deputy secretary in the Welsh Office, is to be Permanent Secretary, WELSH OFFICE, in succession to Sir Trevor Hughes who will retire at the end of September.

★

Mr Paul Rylatt has been appointed a director of TOWRY LAW (HOLDINGS). He will continue as managing director of Towry Law (Pensions Services) and Towry Law (Pension Consultants).

★

Mr Patrick Fearon has been appointed managing director of SOGEMIN (METALS) and SOGEMIN (TRADING) from August 19. Mr Feron joined Sogemin from Morgan Guaranty. He suceeds **Mr David C. Blundell** who remains on the boards and will become managing director of the parent Sogemin Limited and chairman of Sogemin (Metals) and Sogemin (Trading) when **Mr Frank Gregory** retires in December.

★

The following have been appointed to the board of RACAL ELECTRONICS: **Mr B. J. Clarke, Mr D. J. Peacock**, and **Mr M. R. Richardson.**

★

From July 15, GODFRAY DERBY AND CO, stockbrokers, will incorporate Jolliffe Flint and Cross, Bournemouth and Poole. **Mr Richard Hunt** of Jolliffe Flint and Cross will then become a partner of Godfray Derby and Co and be the partner in charge of the Poole office. **Mr Harold Nield**, the former senior partner of Joliffe Flint and Cross, will become a consultant and **Mr Stephen Nield**, an associate member, will be responsible for the Bournemouth office. On the same day **Mr Henry Holt**, an associate member in the London office, will become a partner of Godfray Derby and Co.

★

NATIONAL BANK OF NORTH CAROLINA is to set up a capital markets division in its London-based merchant bank, Carolina Bank. **Mr Michael Ross**, who has been with the capital markets division of Orion Royal Bank for more than 10 years, will become the director heading the new unit. Carolina Bank is the only merchant banking subsidiary of a regional U.S. bank in London. It recently acquired a 29.9 per cent stake in leading stockbrokers, Panmure Gordon and Co.

★

FIRST COMPUTER has appointed **Mr Michael Kennedy** as sales and marketing director. He was with Systime, where he was group business manager for the south-west region.

★

GRAND METROPOLITAN has appointed **Mr R. Dickson** managing director of Compass Services UK.

★

Mr Thomas Wooward has been elected a director, and **Mr Ian Davis** a principal of MCKINSEY & COMPANY, INC, in the London office.

★

Mr Robert A. Padgett, director of finance for PosTel Investment Management, joints the board of GATEWAY BUILDING SOCIETY on July 1.

★

PORTMAN BUILDING SOCIET has appointed **Mr Michael Parkinson** as general manager from July 1. He succeeds **Mr John Heard** who has retired as chief executive but who will remain a non-executive director.

★

Joining the board of RACAL ELECTRONICS are **Mr Barton J. Clarke**, chairman of the Racal Radar Defence and Avionics group; **Mr David J. Peacock**, chairman of the Racal Marine and Energy Electronics group; and **Mr Martin R. Richardson**, chairman of the Racal Radio group, chairman of the Racal Strategic Radio Group, and chairman and managing director of Racal-Tacticom.

★

Mr Fred Bowerman, marketing director at BAYER agrochem division (Bury St Edmunds) retires on June 30. **Mr Richard Parker**, formerly sales manager, takes over as marketing controller on July 1. He has been sales manager for the past six years.

Chief executive for Carrier

Mr Peter B. Hamilton has been appointed chief executive of CARRIER INTERNATIONAL CORPORATION'S operations in the UK, Netherlands, Scandinavia and English-speaking Africa. He joins from APV Holdings wyhere he was group chief executive. Prior to that he was chairman and chief executive of two sub groups of GKN. Carirer is a subsidiary of United Technologies Corps, U.S.

★

Mr L. C. Hunting, chairman of the Hunting Group, has been elected president of the SOCIETY OF BRITISH AEROSPACE COMPANIES for 1985-86. He succeeds **Admiral Sir Raymond Lygo**, managing director and chief executive of British Aerospace, who becomes deputy president. **Mr R. H. Robins**, managing director of Rolls-Royce has been elected vice-president and **Mr A. H. Pope**, chairman of Smiths Industries Aerospace and Defence Systems Company has been elected treasurer for the coming year.

★

Mr H. M. Lyall-Cottle is to become a director and financial controller of the BARKER AND DOBSON GROUP. He was financial controller of the Driel Foods Group and of the retail division of the Argyll Foods Group. He has joined the group from Asda Stores where he was project controller.

★

INVESTMENT MARKETING & FINANCE CORPORATION, Knowle, has appointed **Mr Keith A. Sale** as chief executive. He will sit on the chairman's policy committee and remunerations sub-committee and have specific responsibility for the UK and international financial services divisions. Mr Sale was a vice president of the sales division of Sun Life Assurance Company of Canada, following which he has spent several years in private practice.

★

Barclays forms new division

BARCLAYS BANK has formed a financial services division consisting of Barclays Bank Trust Company and Barclays nit Unit Trusts and Insurance (BUTI). On July 1 the name of Barclays Uincorn Group (BUGL) will be changed to BUTI which will manage Barclays Isnurance Services Company (BISCO). Barclays Insurance Brokers International (BIBI), Barclays Unncorn and Barclays Life Assurance Company. **Mr Robin Hoyer Millar** has been appointed a general manager of the bank with overall responsibility for the division. He will remain deputy chairman of Barclays Bank Trust Company and be deputy chairman of BUTI. **Mr Nigel Mobbs**, a director of Barclays Bank, has become chairman of Barclays Bank Trust Company following the retirement of **Mr J. R. Henderson. Mr David Acland**, a director of the Trust Company and chairman of BUGL has been appointed chairman of BUTI.

Mr Mike Pitcher, managing director of BISCO and chairman of BIBI, has been appointed a vice chairman and managing director of BUTI. **Mr Clive Fenn-Smith**, managing director of BUGL, also becomes a vice chairman of BUTI.

★

Mr Peter Marshall, who started in the R and D department of FORMICA at Tynemouth nearly 30 years ago, has been appointed managing director of the company from July 1. Formica Limited's American parent, Formica Corporation, is now a free-standing enterprise, the purchase by a management group from the former owners, American Cynamid, having been completed. Mr Marshall's appointment coincides with the announcement that Formica Limited's managing director of the past two years, **Mr Jack Chandler**, is retunring to the U.S. to be director of planning, medical products, in Cynamid's international division.

Formica has promoted purchasing manager **Mr Stan Brodie** to director of purchasing. He had been distribution manager. Appointed marketing manager is **Mr Alan Holmes**. He was manager of the company's business development group.

★

Lord Newall has succeeded **Lord Mancroft** as chairman of the BRITISH GREYHOUND RACING BOARD.

THF will relaunch campaign for Savoy

BY FRANK KANE

IT LOOKS as though the uneasy truce in Trusthouse Forte's campaign to win control of the Savoy Hotel is about to end.

In a departure from past accounting policy, THF has for the first time included its share of Savoy profits—rather than just its dividend entitlement—in its profit and loss account, under the title of "subsidiary company not consolidated."

At the same time, Mr Rocco Forte, THF chief executive, said of the group's large shareholding in Savoy, "we have sat quietly for two years and we are not going to sit quietly any more.

"We are looking at a number of possibilities and they will know that we are here from now on," he added. "If necessary we'll take a legal route."

Since the failure of its 1981 bid for the Savoy, THF has held a majority of the Savoy's ordinary shares, but has been unable to win control of the crucial B shares, which are heavily weighted in terms of voting strength.

Last March, Lord Forte, the group's chairman, indicated that THF was still keen to acquire the Savoy, but was not prepared to pay a "quite ridiculous price" for the B shares. These closed last night at £87.50, some way off the price at the start of the year.

Yesterday Lord Forte launched another stinging attack against the Savoy and its top management, but ruled out any imminent moves to launch a new bid.

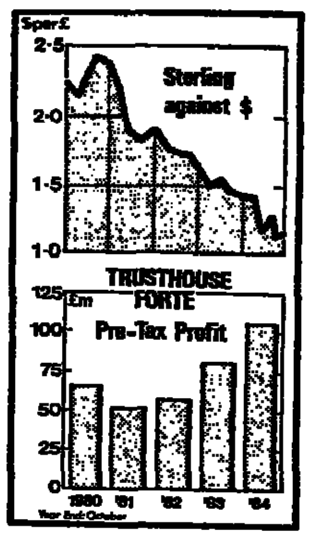
The hint of an escalation in the Savoy battle accompanied THF's figures for the half-year to April 30 1985, which showed profits very much as expected at £39.2m pre-tax, up from £35.4m. The bulk of the increase came from UK and European hotel operations, with the U.S. contribution little changed.

In London, occupancy rates rose by some 8 per cent, whereas in the provinces the increase was in the region of 5 per cent.

This was in contrast to the performance in the U.S., where the industry as a whole showed a downturn. Mr Forte said that the group managed a "slight increase."

One minor surprise in the accounts was the interest charge of £12.7m. This was an increase of £2.7m over the comparable period, but was well down on recent analysts' estimates, which forecast a charge of around £16m.

For the full year finance charges look likely to come out at around the £28m level, set



Mr Rocco Forte, chief executive of Trusthouse Forte.

against a £19.5m figure for the 1984 year.

In addition to the above-the-line inclusion of the share of Savoy profits, which came to £3.3m (£1.9m), there was a £6.5m surplus on the disposal of property and trade investments. In the previous half the group realised £9.6m from such disposals, and the full year is expected to see little change from this amount.

Group turnover rose from £473.2m to £551.9m, and produced trading profits up from £51.9m to £63m.

Although THF's catering and other operations again accounted for the bulk of sales, hotels once more provided by far the largest part of trading profits, with a 27 per cent increase from £27.7m to £35.2m.

This came out of sales 18 per cent ahead at £268m against £226.3m, with a near 1 point rise in trading margins to 13.1 per cent.

Catering and other operations turned in just £6.9m in trading profits, an 11 per cent increase over the previous year's £6.2m, from sales ahead by £37m at £283.9m. Trading margins were steady at around 2.4 per cent.

After a tax charge of £10.7m against £9.6m, net profits came out at £28.5m against £25.8m, or at 3.58p against 3.19p, a rise of 12 per cent.

The interim dividend is increased from 1.125p per share to 1.27p. Last time there was a total of 4.74p from pre-tax profits of £108.9m.

As regards the outlook for the current year, THF pointed out that the greater part of the year's profit is always produced in the second half, when the group's hotels benefit from the influx of tourists to London and the home counties.

See Lex

Flotations postponed because of market fall

Two companies have postponed plans for Stock Exchange flotations because of market weakness which has sent the FT Ordinary Index down 68.6 points to 933.9 since the beginning of June.

Tiphook Holdings, a container leasing company, which was due to announce details of an offer for sale today and Advanced Music Systems, a sound recording equipment manufacturer, which was expecting to do the same on Monday, said yesterday that their issues had been postponed.

Yesterday's announcements did not surprise the City, which has grown wary of backing new issues in the past three weeks.

Investment managers said that the market had had to absorb a tremendous amount of new stock. Funds were reaching the limits of their underwriting capacity.

Mr David Simpson, investment manager of the Standard Life insurance company, said: "In the past two weeks underwriters have been making very cautious noises."

The risks of backing a new issue were underlined yesterday by the start of dealings in First Security, a company with interests in security, fire prevention and car safety. The shares, issued at 160p, closed at 120p. The brunt of the loss fell on the underwriters after the offer for sale had attracted buyers for just 11 per cent of the shares.

However, underwriters are more concerned about the possible losses they face in backing the two largest rights issues of the past month, a call for £519m gross from Hanson Trust and for £89m gross from English China Clays. Both issues appear to be in danger because the share prices have fallen below the offer prices.

Hanson Trust shareholders have until next Thursday to decide whether to take up the shares in the one-for-six issue at 185p. Hanson shares, which had stood at 222p before the issue was announced, closed yesterday at 182p, up 2p.

Such a steep fall might also make shareholders reluctant to take up the 5.75 per cent convertible preference shares which the group is offering at the same time. Hanson is hoping to raise £370m from the new ordinary shares and a further £149m from the convertible shares.

Meanwhile, shareholders in English China Clays have until Monday to decide on the company's one-for-four issue of shares at 220p each. The shares, down 4p to 214p yesterday, have fallen from a pre-announcement price of 263p.

The Hanson issue has been underwritten by merchant bank N. M. Rothschild and the ECC offer by J. Henry Schroder Wagg, its financial adviser. Each merchant bank will, however, spread the risk across dozens of financial institutions.

IC Gas leaps £30m with substantial gain from oil side

A FURTHER substantial rise in profitability from oil operations boosted pre-tax profits of Imperial Continental Gas Association by £30m to a record £80m for the year ended March 31, 1985. Turnover rose by 19 per cent to £649.86m, against £546m.

After a significantly higher tax charge attributable profits increased by 22 per cent to £42.22m equivalent to stated earnings per £1 share of 32.4p (26.7p). A final dividend of 9.25p net raises the total from 12.5p to 14.5p—the sixth successive year that the rate of increase has been above 14 per cent.

All sections of the group showed an improvement. Oil operations profits leapt from £11.91m to £31.15m, on turnover of £92.71m (£37.15m). These gains reflected a full year's production from the Maureen and Forties oil fields, combined with the strength of the sterling price of oil during the year. However, there was some decline in sales of gas from the Hewett fields.

There was a significant improvement in industrial markets for compressed air products in the UK and abroad, but these benefits were partially offset by continued weakness in international demand for construction equipment.

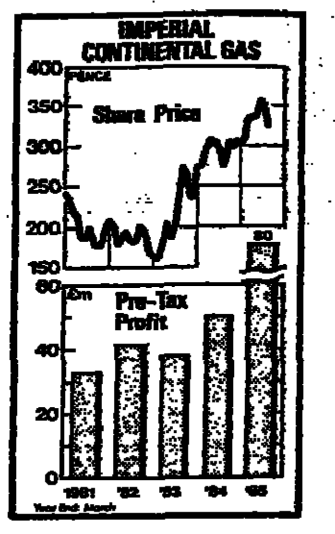
Share of profits of associates—deriving mainly from the IC Gas investment in Belgian public utilities through Antwerpe Gasmaatschappij and Unerg—increased to £13.41m (£11.54m). The results benefited from increased electricity and gas sales—though only marginally for the latter—and from improved productivity. There was little movement in the average exchange rate for the franc against sterling.

Income from investments—mainly from allied Belgian companies, Petrofina and Intercom—advanced to £9.35m (£8.27m), largely as a result of higher distributions.

Calor Group's turnover was up 7 per cent at £309.99m (£289.25m) and pre-tax profits rose by 22 per cent from £23.77m to £28.95m, maintaining the rate of growth achieved in the previous year. Sales of Calor gas and appliances increased, helped by two spells of colder than average weather last winter, but gains in efficiency were largely responsible for the improvement in results.

CompAir Group moved back into the black with a pre-tax profit of £3.19m (£0.78m loss) on turnover up 15 per cent to £216.17m (£188.07m). The surplus included £1.54m arising from the sale of properties, but was after charging redundancy and restructuring costs of £1.81m (£0.88m).

Including the group's transport and property operations and head office costs, profits from



Belgium totalled £20.47m—up 9.9 per cent. The transport operation was sold in October 1984.

Overall group trading profits climbed by 68 per cent to £79.66m (£47.52m). Net interest payable took £22.37m (£17.33m). The tax charge of £29.36m (£7.85m) was largely attributable to a first-time provision for petroleum revenue tax and to lower corporation tax losses in the group.

● comment

Imperial Continental Gas has produced another very steady result—although the oil analysts clearly had a hard time in forecasting the performance of a group which is really a utility rather than an oil company. Having exceeded most forecasts—it was almost double some of them — Imperial might have expected a warmer response on the market but the slippage was small, down 5p to 320p. Calor is entering a new dimension of expansion, away from cabinet heaters and towards more integrated gas supply systems aimed at the 4m homes in the UK without natural gas. Century, the UK offshore oil subsidiary, gained from the high price of oil in sterling terms. This could be 10 per cent lower this year but some of the fall would be recouped below the line as the petroleum revenue would also drop and there could be some write-back for the £10½m provision made for PRT in these figures. With the Belgium interests, again the emphasis is on utilities, contributing well and Compair back in the black, the market is looking for £82m pre-tax for 1985-86. Lower PRT should see more of this coming through below the line and the £80m group capital spend should not lead to any great leap in interests costs. On a prospective p/e of 9½ (35 per cent tax) the shares do not look overpriced.

Jennifer d'Abo wins battle for Selincourt

By Andrew Arends

MRS JENNIFER d'ABO, the flamboyant businesswoman who took over and revamped the Ryman office equipment chain, last night won her battle to take control of Selincourt, the fashionware and fabric group.

Last night it was announced that the £15m offer by Mrs d'Abo's "Shel" company Stormgard had been accepted by holders of 52.2 per cent of Selincourt shares. Along with 2.05m shares, representing 3.9 per cent of Selincourt on June 25 by Stormgard and a further 0.5 per cent it picked up yesterday, acceptances totalling 55.25 per cent of Selincourt had been received, and the offer became unconditional.

Stormgard was offering 13 of its own shares for every 10 of Selincourt, or a cash alternative of 28.6p per share. Last night Stormgard shares closed at 22p, down 2p, and Selincourt fell 1½p to 28p. The Stormgard offer values Selincourt at £15m, or 28.6p per share.

The offer for preference shares had been accepted by holders of 35.23 per cent of Selincourt and has been declared unconditional.

Last night Morgan Grenfell, Stormgard's financial advisers, said that it would be necessary for Selincourt's bankers to agree to continue with the present financial arrangements.

Allied Colloids share price drops 27%

HIT BY development costs and increased raw material prices, the profits of the Allied Colloids Group of chemical makers fell well short of the £24m expected by analysts. The market reacted strongly, the shares closing 58p down at 157p after touching 152p.

Profit before tax for the year ended March 30 1985 did show an increase of just over £1m to £19.27m, but this reflects a fall in the second half from £10.58m to £8.63m. Substantial advances in distribution and administration costs have eaten their way into a £7.57m gain in gross profit which was generated from a £19.5m lift in turnover.

The directors stress that some adverse features were of a temporary nature and are no longer affecting results. They are raising the dividend from the equivalent of 1.9p to 2.3p net per share, with a final of 1.6p.

To meet growth and the anticipated demand in the current year—sales for the first two months are already ahead of the comparable period—the group is engaged in a major capital programme, largely on the Bradford site but with some investment in Virginia, U.S., and other parts of the world.

Some £13m has been spent on new buildings, plant and machinery (following over £7m in 1984) and outstanding approvals at the year-end were £5.5m.

Apart from the impact of the features linked with the fast development, the group suffered from the effects of the miners' strike, a large and rapid increase in one of its major raw materials—acrylonitrile, and the rise in distribution costs.

Total diminution in profit as a result of the strike is estimated at £1m for the year. The increase in the price of acrylonitrile stemmed from the strong U.S. currency in relation to sterling and from stronger demand generally; competitive activity made it difficult to pass on the increase and this reduced profitability by some £2m.

The increase in distribution costs reflects partly the effect of exchange rates and the necessity to satisfy customer demand.

Capital investment programme will enable the group to fulfill its ongoing production requirements, improve flexibility of manufacture and enable stocks to be increased to an adequate level. Staffing has increased to take care of the anticipated growth.

Towards the end of 1984 the group purchased Atlas Agrochemicals and there was an adverse impact on results until the acquisition was integrated and returned to profit.

In the year turnover came to £102m (£82.67m) and gross profit to £44.8m (£37.24m). Distribution costs rose to £8.62m (£5.91m) and administration expenses to £16.45m (£12.8m), while interest payable and similar charges were £459,000 (£304,000). After tax £7.48m (£7.27m), the net profit was £11.8m (£10.9m) for earnings of 9.4p (8.72p) per share.

Goodwill written off absorbs £25,000 (extraordinary debit £5m) an dthere is a curreny fluctuation debit of £51,000 (credit £157,000).

● comment

The stock market had confidently expected profits of around £24m from Allied Colloids so it was hardly surprising to see dealers celebrate the group's 50th anniversary by wiping £73m off the market capitalisation. The question now is whether last year's performance was a simple hiccup or symptomatic of a more serious ailment. The underlying sales trend looks good: turnover rise by 24 per cent last year and has apparently continued to steam ahead in the first two months of this one. The problem is with increases in costs. Some might come into the one-off category but others give rise to concern. Distribution costsw ent up by a whopping 46 per cent, partly reflecting the growing proportion of export sales and partly through the group's inability to have the right stocks in the right place at the right time. These could take time to bring under control. Another worry is the sterling exchange rate: the group exports 84 per cent of sales and is claly vulnerable to any further strengthening of the pound. Profit forecasts are understandably cautious: a guess at £21m on a 36 per cent tax charge would have the shares on a prospective p/e of 15 at 157p, down 58p, yesterday. It could be quite a while before they see their glamouur rating of 21 again.

Fuller Smith

Fuller Smith & Turner, Chiswck-based brewer, raised pre-tax profits from £3.08m to £3.77m for the year ended March 29, 1985, on higher turnover of £36.21m, against £32.26m.

After tax of £1.7m (£1.43m), extraordinary credits of £969,000 (£468,000) debits) and preference dividends, attributable profits came out ahead from £1.1m to £2.93m.

Earnings per £1 share of this USM company were up from 21.76p to 27.25p and the dividend total is 6.5p (5.25p) net with a final of 4.1p.

Transcontinental Services earns over £4m

Transcontinental Services Group, the investment concern that had its shares relisted last November, yesterday reported a taxable profit of £4.13m for the year to end-March 1985. There are no comparable figures.

Net earnings amounted to £3.86m, equivalent to 13.6p per share. The directors are recommending a final dividend of 6p gross which makes an unchanged total payout of 9.57p.

In addition to dealing activities, the group has begun to implement its special situation investment policy.

During the year the group acquired a 10 per cent stake in the Target Group; became the leading member in a limited partnership which acquired 27 per cent of Seligman and Latz, an option for a further 26 per cent and agreement to acquire the balance; participated in the acquisition of a steel manufacturing business from the National Steel Company; the purchase of Central Soya, in which it holds a 9.1 per cent interest; and the recent acquisition of a 6.7 per cent share in Informatics General Corporation.

Interest income for the year under review amounted to £3.42m, profits on sale of investments held for dealing totalled £2.15m, dividend income added £673,000 and sundry income came to £285,000.

Interest payable and administration expenses amounted to £199,000 and £1.89m respectively. Tax took £270,000. After an extraordinary credit of £750,000, the attributable balance was £4.61m.

● comment

The metamorphosis of Esperanza into Transcontinental Services was more than half completed when all the former operating companies were sold off last year. But the Transcontinental hrysalis cannot finally become a butterfly until shareholders have been given their promised second chance to withdraw capital at net asset value). Until Transcontinental has run that gauntlet, it will need to keep more of its assets liquid than the supply of investment opportunities would suggest. But as things are, it has made an interesting start on building up a portfolio of leveraged investments, picking out special niches in everything from jewellery to soya beans. Since these are often long-haul propositions, Transcontinental is also active on the fringes of the risk-arbitrage game, an activity which may be worth a lower multiple than the syndicated buyouts but generates quicker returns. Meanwhile, active hedging of currency is being undertaken to minimise the effect of dollar weakness in Transcontinental's sterling accounts; at present, the book of dollar investments is 105 per cent hedged.

Thorn denies market rumours

Adverse stock market speculation could lead Thorn EMI, the electronics and entertainments group, to advance publication of its results for 1984-85 by a week from July 11 to July 5.

Mr Robert Neilist, the group's finance director, yesterday denied rumours of a balance-sheet crisis and possible Bank of England involvement. Recent contacts with the BoE were, he said, in connection with the troubled Sinclair Research, of which Thorn is a creditor.

He also pointed out that problems at Thorn's subsidiaries, Inmos and Ferguson, were already well known.

At last night's close, Thorn's shares in the already depressed electrical sector, were down 17p at 358p.

UK COMPANY NEWS

Guinness seeks to allay nationalist fears over Bell

Arthur Bell & Son, the Scotch whisky distiller, will continue to be managed from Perth as an autonomous company if Guinness's £295m takeover bid is successful, Guinness pledged in its formal offer document sent out yesterday.

In terms clearly couched to assuage Scottish national sentiment, Guinness said it intended Bell to become, once again, a successful growth company, "successful for investors, Scottish jobs and Scottish exports."

One of Guinnesse's fears is that the issue of Scottish industrial independence could become the reason for a referral of the bid to the Monopolies Commission.

Guinness said in its document that Bell would be subject only to overall strategic direction and the normal disciplines of financial reporting.

It argued that Bell had been held back by its inability to market Scotch whisky effectively in the U.S., by its failure to maintain market share at home and by its inability to make any significant profits from its costly acquisitions.

"Bells has been a successful company in the past but has now lost its way," Guinness said. "Unless major changes are made in the way it is managed, Bell's problems will become more extreme and increasingly difficult to resolve."

Mr Ernest Saunders, chief executive of Guinness.

Guinness said it had faced similar problems in 1981—declining sales of its main brand, inadequate new product development and no clear strategy for the future.

The Guinness management, assembled since 1981, had overcome these problems and could do the same for Bells, it argued. It described the key benefit of the takeover as the combined ability of the two companies to exploit Bell's potential in overseas markets.

Guinness compared an investment of £1,000 made in September 1981 in Bells, with a notional investment in the FT-Actuaries Brewers and Distillers Index and in Guinness itself. By May 1985 it would have risen to £1,788 in Bells, £2,347 in the Index and £5,294 in Guinness.

The decline in the Guinness share price since the bid was announced on June 14 was wiped £32m off the value of the bid. At yesterday's price of 248p, unchanged on the day, the offer of nine Guinness shares for every 10 Bell shares is worth 223p per share.

This was 15p below bell's closing price of 238p, after a rise of 5p.

The Takeover Panel said yesterday it saw no objection to Morgan Grenfell representing Guinnes during the bid battle, despite Morgan's long association with Bell. Bell had complained about Morgan acting for its opponent.

Bell yesterday added S.G. Warburg to the merchant bank armoury. It is also represented by Henry Ansbacher and Co.

MAI £25m rights to fund U.S. acquisition

By George Graham

Mills & Allen International is buying **Gintelco Group**, a New York-based corporate bond broker.

The money-broking and financial services group will pay \$20m (£15.5m), and up to \$5.5m more on a sliding scale if Gintelco's annual pre-tax profits over the next three years average more than \$3.96m.

The purchase will be funded by a procedure combining a conventional £25m rights issue with some of the aspects of a vendor placing.

Some 8.83m new ordinary shares are to be issued, and then bought from Gintelco's vendors by Hambros Bank. They will be offered as a rights issue to Mills & Allen shareholders on the basis of two for nine at 285p.

Mr Clive Hollick, group managing director of Mills & Allen, said that it was felt appropriate for sareholders to be given an opportunity to subscribe since shares are being issued at a discount.

The acquisition rates Gintelco at 8.4 times earnings on the assumption that the eventual price is \$22.75m. Its net asset value is \$5m.

Mills & Allen will buy at par a further \$12.4m of cash, represented by unsecured loan notes. Of this \$8.4m is believed to be surplus to Gintelco's requirements and will be made available to Mills & Allen.

Gintelco's main business as is an intermediary between dealers in the U.S. corporate bond market, where it competes principally with companies such as Mabon Nugent. Mills & Allen's subsidiary, Garbon Gilts, is proposing to act as an inter-dealer broker in the London gilts market.

Gintelco made pre-tax profits of \$4.53m in 1984, after adjustments, on turnover of \$21.85m. Market conditions in the first five months of the year have been exceptionally favourable, as corporate treasurers issued a mass of debt against the background of falling interest rates. Profits for the period rose to \$3.93m as turnover nearly doubled to \$12.56m.

Mr Hollick said Gintelco's activities would complement Mills & Allen, which has subsidiaries active as brokers in U.S. government securities, Eurobonds, Canadian government bonds, U.S. mortgages and municipal bonds.

Mills & Allen says that its own profits in the half year ending June 30 will be higher than the £12.68m earned in the first half and intends to propose a final dividend of 12p net. This will bring the total dividend for the year to 16p, up from 14p last year.

The rights issue is underwritten by Hambros Bank. Brokers to the issue are Laurie Milbank and Rowe & Pitman.

See Lex

MINING NEWS

Broken Hill and GE in £165m coal deal

BY GEORGE MILLING-STANLEY

Australia's **Broken Hill Proprietary** (BHP) has come one step closer to completing the series of deals, costing a total of over U.S.\$ 2.5bn, which will bring the vast "down-under" coal resources controlled by General Electric of the U.S. into local ownership.

BHP has announced plans to acquire GE's remaining 8.5 per cent equity stakes in two Queensland coal joint ventures for atotal of U.S.\$ 212.5m, (£164.7m). The purchase will be effective from the end of this month.

The deal would mark the end of GE's involvement in the Australian coal industry. The U.S. group was left with a residual holding of 15.5 per cent in the two ventures after the original sale to BHP, but Bell Group has already exercised an option to pickfl up a further 5 per cen, and the outstanding 2 per cent stake is to be sold for \$50m to Pancontinental Mining by the ned of this month.

The two operations concerned are the Central Queensland Coal Associates (CQCA) and Gregory joint ventures, both managed by a unit of BHP's Utah International division, which was acquired from GE in April last year. That deal cost BHP \$2.4bn, and was the largest takeover in Australian history.

The CQCA and Gregory joint ventures operate seven open-cut mines and have a combined annual capacity of 25.9m tonnes of coking coal, which is used in steelmaking.

BHP said that the acquisition would be effected by Utah purchasing all the issued capital of General Electric Minerals, which will be renamed Utah Queensland Coal.

Utah is negotiating with Queensland Coal Trust the possibility of that company acquiring a further 3.25 per cent direct participating interest in the two ventures. The price would be on the same basis as earlier deals with a figure of \$25m payable for each percentage point stake.

If this deal takes place, Utah's stake in CGCA would rise to 40.25 per cent, and the interest in Gregory would be 52.25 per cent. Other interests in CQCA would be Queensland Coal Trust 25 per cent, Bell Resources 10 per cent, Pancontinental Mining 5 per cent, Mitsubishi Development 12 per cent and Australian Mutual Provident Society 7.5 per cent.

The interests in Gregory would be the same apart from the absence of Mitsubishi.

MK £2m lower than expected

WITH ANALYSTS expecting above £20m for 1984-85, MK Electric's announcement yesterday of a modest rise in pre-tax profits to £18.1m sent the share price down 20p to 220p.

This was despite a good overseas performance, the likelihood of eliminating losses at the insulators' subsidiary in the current year, and the confident tone of chairman Mr David Robertson's statement. The shares later made a partial comeback to close at 230p.

Mr Robertson pointed out that both sales—up from £117.8m to £127.1m — and profits increased against a background of the miners' strike, high interest rates and cutbacks in public expenditure, which combined to produce difficult trading conditions in the UK.

This particularly affected insulators, which experienced a difficult year in a very competitive environment. With turnover down from £4.5m to £3.?—the division was unable to cover overheads and there was a loss of £0.6m against a comparable £0.2m profit.

The insulators moulding activities are being moved from Kent to north Wales, which the chairman says will ensure lower overall costs. The closure of hte Kent premises and the transfer led to a charge of £1.5m below the line (£1.8m charge for deferred tax).

In contrast to the depressed home market, the group experienced a 28 per cent increase in sales overseas to a record £38.1m (£29.7m), representing 30 per cent of group turnover. Most of the growth came in the Middle East, where sales rose from £12.6m to £19.4m.

Despite the disappointing results, and a drop in stated earnings per share from 32.5p to 30.3p, the dividend for the year is lifted from 9.4p to 10.?p per share with a final of 6.8p (6.2p).

The group has a strong cash position, says the chairman, with net liquid funds at March 31 of nearly £17m. Funds generated during the year totalled £6.3m after fixed asset expenditure of £9m, mainly on plant modernisation and automation.

Retained profit for the year was down from £6.7m to £5.9m, after tax at £6.9m (£5.6m), extraordinary charges and the higher dividend (£3.8m against £3.5m).

In the worldwide division, the chairman says that was another good year with turnover and profit showing increases of 10 per cent and 11 per cent respectively over the previous year's record figures. Sales overseas were excellent, particularly in the Middle East.

● comment

MK Electric has merged with the corporate throng from the electricals and electronics sectors to further disappoint the market. Outside forecasts had centred around £20m pre-tax and while some unease obviously developed in the last few weeks which undermined the price, the shares still had room to fall a further 10p to 230p yesterday. The reason for the disappointment can largely be placed on the shoulders of Insulators where there was a £0.8m turnround into the red before rationalisation with Ega. Also it is a fair bet that the profits are a reflection of the new chief executive's broom working overtime. So even with sluggish demand from the local authority sector, profits could come out around £19m to £20m this year. That will not fill with excitement a market which has labelled MK as a mature business, but there cannot be much downside in an historic p/e of 7½. MK enjoys a dominant position in its field and comfortably generates cash. And with a low rating MK cannot be ruled out as a take-over target although it is difficult to see a predator with sufficiently allied activities to believe two plus two could equal five.

LADBROKE INDEX

938-942 (unchanged)

Tel: 01-427 4411

Steady outlook for gold

THE GOLD price in terms of South African ransd can be expected to remain around current levels, according to the directors' review of operations in the latest annual report from Anglo American Corporation, one of the world's leading producers.

The report offers no forecast of profits for the year to March 31 1986. That will have to wait for the release of the chairman's statement from Mr Gavin Relly, expected shortly before the annual meeting in August.

Never the less, the inference is that, all other things being equal, the group's gold operations should do well again this year, at least in local currency terms. The comparative weakness of the rand against the U.S. dollar has ensured a high price in the currency which matters most to South Africa's gold mining industry.

That, in turn, has meant that several of the mines have been able to report record profits in spite of the low dollar gold price, and have accompanied these announcements with increased dividends.

DIVIDENDS ANNOUNCED

Allied Colloids	1.6	—	1.4*	2.3	1.9*
Anglo Nordic	1	—	1	1.4	1.4¶
Celestion Inds	1	Aug 14	1	1	1
Electric and General	2.5	—	1.8	3.6	3.15
Fuller, Smith‡	4.1	Aug 20	3.25	6.5	5.25
Gresham House 2nd int	3	—	2.6	4.4	4
IC Gas	9.25	Aug 9	8.5	14.5	12.5
Kleen-e-Ze	4	—	4	5	5
James Latham	8.25	—	7.5	13.25	11.75
Longton Industrial	2	Oct 19	2	3	2
MK Electric	6.8	—	6.2	10.2	9.4
Moorgate Mercantile	1	Oct 1	0.9	1.45	1.3
Speyhawk int	2.52	July 31	2	—	8.4
Transcon Services	6‖	—	6	9.57	9.57
Trusthouse Forte int	1.27	Oct 1	1.13	—	4.74
Walker and Staff	1.7	—	1.65	1.7	1.65
West's Group	3	Aug 9	3	5.5	5.5
Whitworth's Food‡ int	0.7	July 31	—	—	—

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. ¶ For 16 months. ‖ Gross throughout.

COMPANY NEWS IN BRIEF

GRESHAM HOUSE is raising its dividend from 4p to 4.4p net for 1984, with the payment of a second interim of 3p. Total income moved up to £2.25m (£1.97m), being dividends and interest £545,000 (£590,000), rental income £1.07m (£729,000) and subsidiaries income £634,000 (£651,000). Tax takes £139,000 (credit £58,000) and minorities £17,000 (credit £77,000) leaving £346,000 (£404,000). Earnings are shown at 8.4p (9.8p).

WHEWAY WATSON (Holdings), chainmaker, engineer and forger, incurred pre-tax losses of £480,000 (£45,000) in the 26 weeks to March 30 1985. Turnover fell to £7.1m (£9.91m). With the miners' strike resolved and the major loss-maker sold the company is looking to report a trading profit for the second half. Loss per share for the first half amounted to 1.69p (0.16p).

BRAITHWAITE AND CO Engineers has suffered a drop in profits from £336,000 to £149,000 in the year ended March 31 1985 and blames this mainly on the effect of changes in management structure and organisation at Braithwaite Structural. Turnover rose to £11.37m (£7.64m). Earnings per share 3.6p (8.9p) and dividend held at 9.1p net with final of 5.1p.

Current year has started with higher level of activity. All companies are concentrating on improving efficiency and increasing volume of sales, and directors hope to report a continuing improvement in overall trading position. They are confident that changes at Structural will bring increasing benefits.

WESTERN MOTOR Holdings has cut its loss from £755,000 to £475,000 for 1984, of which £206,000 is applicable to activities terminated or to be terminated. There is no dividend on ordinary, but preference for six months ended June 30, 1985 will be paid. Net asset value is given as £1.13 (£1.67). Turnover was £37.77m (£39.66m) and operating profit £312,000 (£78,000). Need to reduce interest-bearing debt dominated all decisions taken, say directors. In car delivery division certain contracts were discontinued and associated depots closed. Trading loss was reduced from £738,000 to £138,000; and management accounts for the division show a profit before tax of over £100,000 in the first four months of the current year.

ARTHUR HENRIQUES incurred pre-tax losses of £215,000 in 1984, compared with a profit of £75,000 for the previous year. The result was achieved on turnover up slightly at £4.58m (£4.42m). Losses per share came out at 4.65p (1.18p earnings). The final dividend is passed, as was the interim. As part of the company's reorganisation into an operator of discount retail clothing stores it is proposing to change its name to Top Value Industries.

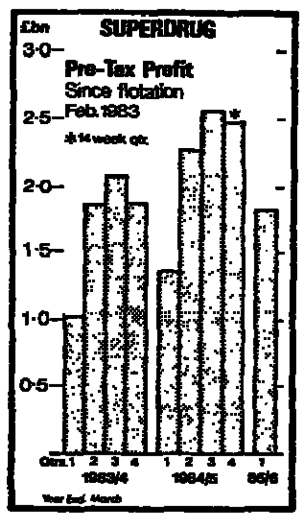
KLEEN-E-ZE HOLDINGS, maker of energy-saving devices, brushes and cleaning products, returned lower full-year taxable profits of £268,000, against £311,000, on turnover down from £13.86m to £13.15m. Earnings per share for the period to end-March 1985 amounted to 6.18p (7.32p). The final dividend is being held at 4p for an unchanged total of 5p.

UK COMPANY NEWS

Superdrug 32% ahead at £1.8m

PROFITS GROWTH at Superdrug Stores continued apace during the opening quarter of the 1985-86 year with pre-tax figures pushing ahead by over 32 per cent.

On a turnover £7.7m higher at £35.47m they surged from £1.38m to £1.83m. However, tax took £452,000 more at £712,000 to leave the attributable balance almost unchanged at £1.12m.



The taxable results for the quarter to June 1 1985 included net interest income of £187,000 (£110,000).

For the previous 53 week-period the group, which operates from over 210 retail drug stores, returned a record £8.74m pre-tax, with the final quarter contribution up from £1.87m to £2.5m.

Superdrug planned for at least 40 new branches this year together with the opening of a second distribution centre of over 200,000 sq ft, securing the long term growth of the group.

In their annual statement the Goldstein brothers, Peter and Ronald, joint chairmen, said the cost of financing the increased level of the group's capital investment programme, together with the initial commissioning and start-up costs relating to new facilities, would probably have an adverse impact on the rate of profits growth during the current year.

However, they were more confident than ever about Superdrug's overall position in the High Street, and optimistically looked for a record year for both sales and profits.

The group came to market via an offer for sale of shares at 175p each early in 1983. Yesterday, the shares closed3p higher at 408p.

● comment

Superdrug's first quarter is marked by a drop in operating margins against the level for last year as a whole and the provision for a higher than expected tax charge. There is an element of seasonality in the margin—it traditionally improves as the year progresses. But this year will be different due to the high costs of starting up the northern distribution centre in Wakefield. As a result last year's 6.3 per cent margin will certainly not be achieved and it could be a struggle to reach 6 per cent. The uncertainty on the tax charge plus concern at the cost of the warehouse opening and stocking up makes it hard to see the current rating of over 20 times earnings being maintained. For the full year the analysts' are sticking to £10m pre-tax which at 408p up 3p has the shares trading on a prospective multiple of over 23 (39 per cent tax charge).

West's Group moves ahead

A BETTER second half, as expected, has enabled the West's Group International to push up its pre-tax profit from £693,000 to £914,000 for the year ended March 31 1985. There were good performances from the manufacturing division companies and from Piling and Construction and Engineering Design.

The directors concede that recovery in profitability is slower than they would like, but express their confidence that core businesses are sound and that the worst is now behind.

Turnover came to £45.29m (£52.75m) and trading profit to £1.12m (£917,000).

There were extraordinary losses £577,000 (profit £249,000) mainly resulting on withdrawal from uneconomic locations overseas. Further overhead reductions have been made and the borrowing position remains good. The dividend is again 5.5p net, the final being 3p.

HUMPHRIES HOLDINGS, the developer and printer of colour film, which is in the BET group, incurred a higher taxable loss of £512,000, against £315,000, for the year to end-March 1985 despite an increase in turnover from £12.32m to £14.22m. Attributable losses soared to £2.46m (£57,000) after an extraordinary debit of £2m (£454,000). There is again no dividend.

Dominic Lawson on the rise and fall of small oil prospectors

Falcon's shadow over the City

THE RECENT collapse in the share price of Falcon Resources has cast a shadow over the City of London's latest fad—small oil exploration companies specialising in the U.S. onshore scene.

Following the successful issue last year of Petranol the City has been deluged with prospectuses from entrepreneurs who quickly realised that while U.S. investors have had some bitter experiences funding drilling in the States the British market is relatively untested.

Great Western Resources and New London Oil have followed Petranol and Falcon, together with Aberdeen American Petroleum and Charterhall North America.

This summer they are set to be joined by Sapphire Petroleum, Exploration Company of Louisiana, Owl Creek and Clinton Oil.

The shares of Falcon have fallen from a 1985 high of 174p to around 70p. This may mean that the new vehicles will not get the rating to which they aspired, although they will probably still get a better reception here than in the U.S. where drilling rates have halved in four years but where small oil company bankruptcies are still a regular occurence.

The current fashion may sound like a repeat of the boom and bust that occurred with a series of small Canadian oil exporation companies on the London Stock Exchange about five years ago.

However, there is a difference this time around that has attracted the punter. While the Canadian stocks were high-risk ventures holding out the hope of massive capital appreciation the new wave of U.S. onshore companies hitting the Stock Exchange tend to concentrate on mature oil and gas producing regions of the most well drilled country on earth.

They promise to drill plenty of cheap wells with a very high success rate. The art, if practised successfuly, is to buy in cheap second-hand acreage and aim for a speedy return on the inevstment.

The key is to get the UK stock market to put up as much money as possible so as to fund the drilling campaigns. In valuing the shares an independent petroleum engineer assumes a certain success rate of future drilling, adds up the future revenues from future discoveries, discounts at 10 per cent and bases the company's initial stock market valuation on the result.

Mr Daniel Pena, the chairman and founder of Great Western Resources.

This method has attracted investment from some leading City institutions but Mr David Gray, oil analyst at brokers James Capel, disapproves of the practice.

"The method," he says, "involves those who put up the cash taking all the downside risk and getting very little upside even if everything goes according to plan."

Another broker points out that the companies tend to build in assumptions of no increase in operating costs and administrative expenses and often make insufficiently clear the future development costs. Much of the most well-traded U.S. acreage is almost bound to contain oil or gas which for various geological reasons may be very expensive to produce.

But Mr Daniel Pena, the 39-year-old founder and chairman of Great Western Resources, is adamant that his company is different from all the rest.

Mr Pena is an entrepreneur of classic American design. Of Hispanic origin, he earned his spurs in Wall Street, becoming a vice-president of Bear Stearns and Co in 1977 at the tender age of 32.

He founded Great Western in 1982 with only $900 of capital but last August his advisers, Brown Shipley and brokers Greenwell, floated the stock.

The prospectus valued Great Western's oil and gas assets at £44.3m compared with a flotation value of £32m. As befits a man of such substance, Mr Pena is now the proud owner of Guthrie Castle, near Arbroath in Scotland.

He insists that the City of London is backing the wrong U.S. onshore plays and should be investing in Great Western. "Most of the others are entrepreneurial flogs to make a turn as we say in Wall Street. But no one in the City knows how to read a reserve report."

One City broker, who prefers to remain anonymous, argues that Mr Pena has every reason to have little respect for the City since it paid more than Great Western was worth when the company came to the market.

The £44m valuation of Great Western's assets were based almost entirely on a valuation of the company's acreage in the DJ Basin in Wyoming, which the company was in the process of buying for only $2.2m. The valuation of the acreage was based on an aggressive explotation campaign to drill 42 wells by this September.

Great Western now says that it will have drilled only 14 wells in the basin by that time thus delaying the object of the exercise and the basis of valuation—cash flow.

The original Great Western assets valued at £44m are now worth only about £28m concedes Mr Charles Soladay, the company's finance director, on the valuation basis used in the prospectus. This is in part because the prospectus assumed a gross selling price of $30 a barrel, in part because the delayed drilling programme has reduced the discounted value of future cash flow.

But Mr Pena is undaunted. "My aim is to make Great Western one of the 50 biggest U.S. oil and gas companies within 10 years." He aims to achieve this by a whirlwind of deals as the companies which took on debt to expand into the U.S. oil scene at a time when the oil price was about $35 a barrel have become distress sellers of acreage and production.

Great Western is placing $10m worth of shares with City institutions to raise cash to buy the U.S. oil and gas assets of Whittaker, a big U.S. health care company. The deal was approved this week.

The group also appears to have sewn up a $6m deal to buy the U.S. oil and gas assets of an unnamed UK company. He claims it has turned down the chance to buy numerous other UK-owned oil assets.

Following the share shake out at Falcon, Great Western and other similar concerns shortly to arrive on the stock market will be subject to an unusual degree of scrutiny in the City.

The next year may determine who has the better judgment in the City of London: the oil analysts or the punters.

FIRST-HALF NET INCOME AT $1.3m

Great Western Resources earned net income of $1.31m (£1.04m) in the six months to March 31 1985, compared with $229,000 last time. Earnings per share amounted to 6.5 cents (5.2p).

There is a first interim dividend of 1.43p per share (about 1p net for UK resident shareholders) and a total of not less than 2.86p gross is forecast. The directors say the payment of an interim at this early stage in the company's development, is an expression of their confidence in the futurefl.

Total revenue was $2.86m $885,000) of which $2.62m came from oil and gas. Expenses took $1.31m ($469,000) and tax provision was $238,000 ($187,000).

The interim figures include two months' earnings from the properties acquired from Whittaker.

In the second half period, the company will have the benefit of a full six months' cash flow and earnings from the Whittaker acquisition. Production is expected to rise to 3,000 BOEPD by the end of the current year, compared with a present figure of around 2,000 BOEPD.

THE ROYAL BANK OF CANADA

NOTICE OF PARTIAL REDEMPTION

TO THE HOLDERS OF U.S. $100,000,000 12¾% DEPOSIT NOTES DUE JANUARY 28, 1992 OF THE ROYAL BANK OF CANADA

NOTICE IS HEREBY GIVEN, pursuant to the terms and conditions of the 12¾% Deposit Notes due January 28, 1992 (the "12¾% Deposit Notes") that U.S. $38,770,000 aggregate principal amount of the 12¾% Deposit Notes of the Royal Bank of Canada (hereinafter referred to as "the Bank") in coupon bearer form in the denomination of U.S. $5,000 each bearing the under-mentioned distinguishing numbers, namely:

2	522	969	1484	1929	2360	2807	3282	3728	4202	4686	5105	5536	6011	6434	6886	7339	7760	8235	8697	9210	9694	10182
6	524	971	1485	1931	2363	2808	3285	3729	4207	4689	5106	5537	6013	6436	6889	7344	7761	8236	8703	9215	9696	10185
7	525	972	1487	1933	2367	2809	3287	3730	4210	4690	5110	5540	6014	6439	6890	7349	7768	8238	8708	9219	9700	10186
10	526	975	1488	1935	2368	2810	3288	3732	4211	4692	5113	5544	6020	6441	6892	7350	7769	8239	8709	9228	9701	10188
13	532	979	1489	1938	2370	2812	3295	3737	4215	4693	5116	5545	6022	6442	6898	7351	7772	8243	8710	9232	9702	10189
14	535	982	1492	1939	2372	2813	3296	3738	4218	4694	5117	5547	6025	6443	6900	7354	7774	8246	8711	9233	9703	10193
15	539	983	1493	1940	2373	2815	3301	3740	4223	4697	5119	5550	6027	6447	6902	7359	7776	8248	8716	9234	9707	10194
18	542	984	1495	1942	2374	2817	3302	3742	4224	4698	5120	5552	6028	6451	6908	7364	7779	8249	8721	9236	9710	10195
19	550	988	1500	1947	2375	2820	3306	3744	4226	4700	5123	5553	6029	6452	6909	7365	7782	8250	8735	9238	9717	10198
23	554	991	1504	1948	2378	2822	3307	3747	4228	4701	5128	5555	6030	6455	6912	7366	7783	8255	8736	9244	9718	10199
24	556	995	1510	1950	2379	2825	3308	3748	4231	4704	5129	5560	6039	6456	6913	7368	7785	8258	8737	9250	9720	10200
25	557	997	1515	1953	2381	2826	3312	3757	4236	4709	5134	5564	6045	6458	6919	7374	7786	8260	8738	9251	9721	10201
27	559	998	1518	1955	2383	2827	3313	3758	4241	4712	5135	5565	6050	6459	6921	7380	7789	8262	8744	9253	9725	10202
30	560	1000	1521	1956	2384	2832	3314	3766	4242	4713	5137	5573	6051	6461	6922	7381	7794	8265	8745	9254	9727	10204
31	561	1003	1523	1958	2398	2836	3315	3767	4245	4716	5139	5580	6055	6463	6927	7383	7796	8268	8748	9258	9735	10206
32	566	1006	1525	1960	2400	2840	3316	3775	4247	4720	5143	5582	6059	6465	6929	7385	7799	8269	8751	9260	9743	10209
34	567	1009	1531	1964	2401	2848	3317	3776	4250	4722	5144	5585	6060	6466	6930	7388	7801	8273	8753	9261	9749	10211
35	570	1011	1536	1965	2403	2851	3318	3778	4254	4723	5145	5586	6061	6474	6933	7392	7803	8280	8758	9268	9756	10212
39	571	1013	1538	1969	2405	2852	3320	3780	4255	4724	5146	5587	6064	6480	6937	7395	7804	8283	8762	9269	9759	10213
45	572	1016	1542	1971	2409	2855	3322	3784	4257	4726	5147	5592	6066	6482	6941	7399	7806	8289	8763	9270	9762	10216
49	575	1019	1544	1974	2412	2857	3326	3787	4258	4728	5149	5602	6067	6483	6942	7405	7807	8290	8764	9277	9768	10218
50	576	1025	1545	1979	2413	2868	3328	3791	4263	4730	5153	5603	6068	6485	6943	7407	7808	8292	8765	9279	9772	10220
51	579	1031	1549	1980	2415	2869	3329	3797	4265	4731	5163	5607	6070	6490	6945	7409	7809	8299	8770	9283	9776	10222
56	581	1032	1551	1981	2416	2871	3333	3798	4267	4739	5167	5612	6075	6493	6948	7414	7811	8300	8773	9289	9777	10225
59	582	1033	1553	1982	2417	2873	3335	3803	4270	4740	5169	5615	6079	6495	6949	7415	7816	8304	8774	9291	9780	10227
61	584	1035	1556	1983	2418	2877	3338	3805	4271	4741	5170	5616	6082	6498	6950	7417	7817	8305	8775	9292	9782	10228
62	586	1038	1558	1986	2421	2878	3341	3806	4272	4742	5172	5617	6083	6500	6953	7418	7820	8307	8777	9293	9784	10230
63	587	1039	1566	1989	2423	2880	3347	3808	4273	4744	5174	5621	6085	6501	6954	7420	7821	8320	8780	9294	9785	10233
68	589	1041	1570	1991	2426	2882	3348	3810	4274	4745	5175	5622	6086	6506	6955	7421	7826	8321	8782	9299	9787	10235
70	590	1043	1572	1993	2434	2884	3349	3812	4276	4746	5176	5625	6089	6507	6956	7422	7827	8323	8783	9300	9789	10236
71	596	1044	1574	1995	2436	2885	3351	3813	4277	4747	5178	5631	6090	6508	6957	7424	7828	8324	8791	9301	9793	10237
75	597	1046	1576	1996	2440	2887	3352	3818	4280	4748	5179	5632	6091	6513	6959	7426	7831	8325	8796	9303	9796	10238
76	599	1047	1579	1999	2441	2891	3358	3820	4281	4749	5180	5633	6092	6515	6962	7427	7832	8326	8797	9306	9800	10240
78	600	1049	1586	2003	2442	2894	3359	3822	4294	4754	5181	5635	6096	6517	6964	7428	7833	8331	8799	9309	9805	10243
93	603	1053	1587	2006	2446	2897	3362	3824	4295	4755	5182	5636	6098	6518	6966	7432	7834	8335	8801	9311	9807	10244
97	605	1055	1589	2007	2447	2899	3366	3825	4301	4758	5183	5643	6099	6522	6969	7438	7837	8337	8802	9314	9812	10247
99	606	1060	1594	2009	2448	2900	3369	3826	4303	4759	5187	5644	6101	6529	6977	7440	7840	8342	8804	9317	9814	10250
101	608	1061	1595	2011	2450	2901	3372	3830	4308	4763	5191	5645	6104	6530	6979	7442	7844	8343	8805	9318	9817	10253
102	609	1062	1597	2012	2451	2902	3373	3832	4314	4766	5192	5650	6106	6533	6981	7444	7846	8345	8808	9319	9818	10257
114	611	1063	1599	2014	2452	2906	3378	3834	4315	4768	5197	5651	6108	6534	6986	7445	7849	8350	8814	9321	9822	10262
121	614	1066	1601	2015	2458	2908	3381	3839	4317	4770	5198	5652	6112	6537	6987	7448	7852	8351	8815	9322	9828	10267
122	615	1070	1603	2016	2461	2912	3382	3841	4324	4772	5200	5653	6113	6538	6988	7451	7858	8352	8819	9324	9830	10273
123	616	1075	1605	2020	2463	2913	3384	3842	4325	4776	5203	5656	6115	6541	6990	7456	7859	8354	8821	9326	9834	10279
125	619	1076	1606	2021	2467	2915	3385	3847	4326	4779	5205	5657	6117	6549	6995	7457	7860	8355	8822	9330	9836	10281
126	620	1079	1609	2023	2468	2916	3389	3848	4328	4780	5207	5658	6118	6551	6996	7460	7863	8357	8824	9334	9842	10286
128	624	1082	1612	2025	2469	2918	3391	3849	4332	4782	5209	5660	6122	6553	7002	7470	7866	8358	8826	9337	9845	10287
134	626	1085	1617	2031	2470	2919	3392	3852	4333	4784	5212	5662	6123	6555	7009	7474	7867	8360	8831	9341	9850	10288
135	629	1089	1620	2032	2476	2922	3398	3853	4334	4787	5214	5663	6124	6561	7010	7476	7868	8361	8836	9345	9852	10289
142	630	1091	1621	2033	2477	2923	3399	3857	4335	4788	5219	5668	6125	6565	7015	7477	7869	8362	8837	9347	9853	10293
146	632	1095	1623	2036	2478	2924	3400	3860	4337	4789	5222	5673	6127	6566	7017	7479	7873	8363	8838	9350	9854	10294
148	641	1101	1624	2038	2484	2925	3401	3861	4339	4790	5228	5681	6130	6568	7018	7480	7876	8371	8842	9353	9855	10298

have been selected by lot by the Principal Paying Agent for redemption on July 30, 1985 at a redemption price equal to 101% of their principal amount plus accrued interest to the date of redemption (totalling U.S. $5,372.29 per U.S. $5,000 12¾% Deposit Note). The aggregate principal amount of the 12¾% Deposit Notes which will be outstanding after July 30, 1985 will be U.S. $61,230,000. All such 12¾% Deposit Notes so selected will be redeemed on July 30, 1985 in lawful money of the United States of America upon presentation and surrender of the said 12¾% Deposit Notes (accompanied by the interest coupons appertaining thereto which mature after July 30, 1985) at any of the following paying agents, at the option of the holder:

Orion Royal Bank Limited, 1 London Wall, London EC2Y 5JX, **The Royal Bank of Canada (France) S.A.**, 3 rue Scribe, 75440 Paris, **The Royal Bank of Canada A.G.**, Bockenheimer Landstrasse 61, 6000 Frankfurt/Main 1, **The Royal Bank of Canada (Belgium) S.A.**, rue de Ligne 1, B-1000 Brussels, **The Royal Bank of Canada (Suisse)**, rue Diday 6, 1204 Geneva, **The Royal Bank and Trust Company**, 68 William Street, New York, N.Y. 10005 (principal only), **Kredietbank S.A. Luxembourgeoise**, 43, Boulevard Royal, 2499 Luxembourg.

NOTICE IS ALSO HEREBY GIVEN that all interest on the 12¾% Deposit Notes so called for redemption shall cease to be payable from and after the said 30th day of July, 1985 and coupons for interest to accrue after such date upon said 12¾% Deposit Notes shall be void.

DATED AT LONDON June 28, 1985
THE ROYAL BANK OF CANADA
***by* ORION ROYAL BANK LIMITED**

ORION ROYAL BANK LIMITED
A member of The Royal Bank of Canada Group

UK COMPANY NEWS

ERF cuts loss and sees 'promising outlook'

WITHOUT THE burden of exchange loss, the **ERF (Holdings)** group of heavy commercial vehicle and plastic moulded components manfacturer has returned to profit in the second half.

The outlook for the current year is promising and the directors expect to see a modest increase in demand. They will review the dividend policy during th yar, having due regard to current trading conditions. The preference was last paid on October 31 1982.

In the first half of th year ended March 30 1985 the group suffered an exchange loss of loss of £atys1-
£1.16m and this pushed it into a loss of £1.09m. For the year overall the exchange debit came to £1.18m, so the group benefited and reduced the loss to £444,000. That compares with a profit of £421,000 in the previous year.

Turnover for the year rose from £60.65m to £72.78m and the profit before interest and exchange loss was £2.14m, against £1.8m. Mr E. P. Foden, the chairman, says the home market continues to be difficult, but total unit sales increased by 35 per cent over 1983-84. Substantial improvements were achieved in export trading, mainly in Africa and the Middle East.

Mr Peter Foden, chairman

The introduction of the CP range has been "highly successful," with excellent response from customers. The plastics side enjoyed a good year and sales volumes were up by 18 per cent; further growth is expected this year.

Mr Foden says a new range of vehicles will be introduced gradually over the next two or three years, which will create new opportunities at home and abroad.

In 1984-85 redundancy costs of £12,000 (£18,000) have been charged in arriving at the trading figure for ERF. Interest payable was up to £1.4m (£1.27m).

After a tax credit of £6,000 (£256,000) there is a loss per share of 6.05p (earnings 9.35p) and fully diluted 5.72p (9.19p). No provision has been made in the accounts for th eunpaid preference dividends, and the arrears amount to £226,000.

Longton profits double to £1.2m

AFTER A number of troubled years Longton Industrial Holdings is returning to profit levels it enjoyed towards the end of the 1970s.

On turnover up by 8 per cent from £46.13m to £50.05m, pre-tax profits more than doubled from £555,000 to £1.15m. An unchanged final dividend of 2p net is proposed, making a total of 3p (2p).

The directors of the Stoke-based transport, distribution and crane hire group say that the results show a continued improvement.

All division traded profitably, with steel stockholding and engineering supplies producing an excellent performance which continued to show growth. The optimism about the motor division was well founded.

They add, however, that severe competition in the haulage and distribution activities resulted in disappointing figures for the transport division. The board has taken corrective steps.

Tax too £232,000, compared with £111,000 for 1983-84 when there was an extraordinary debit of £54,000. Attributable profits came out at £920,000 (£498,000).

With preference dividend payments at £96,000 (£103,000) earnings per ordinary share came out at 13.1p, up by 2½ times on the 5.4p for the previous year. The ordinary dividends took £188,000 (£126,000).

In the 1979-80 year, the company made a pre-tax profit of £1.91m but the following year plunged into losses of £629,000 with problems experienced throughout the group, particularly in its vehicle and plant distribution and crane hire compani

Anglo Nordic lifts profits to £1.3m

WITH MOST of its subsidiaries performing as or better than planned, pre-tax profits of Anglo Nordic Holdings rose to £1.32m for the year to end-March 1985, with the bulk, some £1.09m, coming in the second half.

For the 16-month period to end-March 1984 the taxable result was £1.06m.

Turnover for the year amounted to £54.3m (£64.09m for 16 months)), and the directors of this Hertfordshire-based engineering and property company say that the current year has started well, with order books in several subsidiaries at record levels.

At end-March the total order book stood at nearly £18m, compared with £11.4m a year earlier. The directors report that during the year excellent progress was made on product development and in upgrading production methods and techniques.

The final dividend is held at 1p, which brings the total to 1.4p (same for 16-month period). Net earnings per 5p share are shown as 5.7p (4.1p) basic, and 5p (4.3p) fuly diluted.

In line with the group's policy of building up its aerospace and defence interests, which last year resulted in sales in excess of £12m, or 22 per cent of group turnover, it bought HML (Engineering) last month for £191,000 cash, and assumed liability for bank indebtedness of £330,000.

HML, which manufactures hydraulic rigs and trolleys for servicing both civil and military aircraft, had net tangible assets of £529,000.

Anglo Nordic is now one of the largest manufacturers of aircraft ground support equipment in the world, the directors say, and currently sells to 100 airlines and operators in over 50 countries. In a full year they estimate that HML should add £4.5m to the turnover of this activity.

The Braby Economic Appliances division was sold in May for £707,000, as the manufacture of gas fires does not fit in with group strategy.

The tax charge amounted to £226,000 (£295,000), and there were extraordinary debits of £534,000 (£890,000).

Beaufort House redevelopment

A new company has been formed to carry out a redevelopment of Beaufort House, Aldgate, London, the former headquarters of the **Peninsular & Oriental Steam Navigation Company.**

Known as Beaufort House Development, it has been formed jointly by **P & O and Stockley**, the property group, who have each invested £8m. The new company will acquire the long lease of the property held by P & O for £15m.

Beaufort House comprises 170,000 sq ft of net lettable space but the site would be capable of supporting a new office building in excess of 200,000 sq ft. Funding for the development has yet to be arranged and various schemes are currently under consideration.

Second-half profits slip but Latham final raised

DESPITE almost unchanged pre-tax profits, **James Latham** is proposing to raise its final dividend by 10 per cent, giving a total for the year which is 13 per cent ahead of that for 1983-84.

On turnover up by £1.7m to £35.33m, pre-tax profits, for the year to the end of March 1985, rose from £1.65m to £1.66m. Drectors are proposing a final payment of 8.25p net per £1 share (7.5p), making a total for the year of 13.25p (11.75p).

Mr Michael Latham, chairman of the East London-based timber merchant, says that given the range of difficulties encountered during the latter part of the year the results were satisfactory. In the second half pre-tax progts fell bq 17 per cent from £747,000 to £621,000, on turnover which was little changed.

He adds that the problems were short-term but their effects have persisted into the present year.

The pre-tx figure was struck after depreciation of £223,000 (£244,000) and higher interest payments at £611,000, compared with £535,000.

Tax took £371,000, against £228,000 for 1983-84 when there was also an extraordinary item of £47,000. Dividends accounted for £413,000 (£375,000).

Earnings per share came out at 47.9p (53.5p).

Speyhawk leaps to £1.2m and prospects encouraging

Spayhawk, property development and construction concern, hoisted pre-tax profits from £0.66m to £1.2m in the six months to March 31 1985, on turnover of £28.07m, against £24.84m.

The result is largely attributed to the completion of the Lombard Street development in the period. The directors say this import development has been let in its entirity to the Trustee Savings Bank.

After tax of £455,000 (£257,000) earnings per 10p share climbed from 3.6p to 7.1p. The net interim dividend is raised to 2.52p (2p) net—last year's final was 6.4p.

The directors say the group's development programme is proceeding well and prospects for growth in activity and earnings are encouraging.

The company has completed and let an industrial development in Hemel Hempstead and a small office development in Old Isleworth. There are a number of other buildings which have been completed and where lettings are currently under negotiation.

Negotiations for the scheme in Brighton were completed and the whole of the scheme, having a value of £25m, has been forward funded. The financial arrangements involve Britel, Brighton Council, Ramada and the English Tourist Board. Ramada will manage the hotel as part of its "Renaissance" chain and the company will retain a majority interest in the hotel operating company.

FT COMMERCIAL LAW REPORTS

Tax loss surrender lawful on balance of benefit

CHARTERHOUSE INVESTMENT TRUST LTD v TEMPEST DIESELS LTD
Chancery Division: Mr Justice Hoffmann: June 20 1985

A SURRENDER of tax losses by one company to others in the same group as part of a transaction enabling its shares to be sold and resold at a very low price, does not constitute provision of financial assistance by the company to the ultimate purchaser if, having regard to the transaction as a whole, the net balance of financial advantage lies in the company's favour.

Mr Justice Hoffman so held when giving judgment for the plaintiff, Charterhouse Investment Trust Ltd ("CIT"), in an action claiming specific performance of an agreement whereby the defendant, Tempest Diesels Ltd, agreed to surrender tax losses to companies within the Charterhouse Group.

Section 54 of the Companies Act 1948 (repealed by the 1981 Act) provided: "...it shall not be lawful for a company to give, whether directly or indirectly... any financial assistance for the purpose of or in connection with a purchase of...any shares in the company...."

HIS LORDSHIP said that Tempest, a subsidiary of the Charterhouse Group, assembled and sold marine diesel engines and generating sets.

It made trading losses in 1979 and 1980. The tax losses for those two years were £58,461 and £230,329 respectively.

At December 31 1980 its balance sheet showed a long term loan of £300,000 from its parent company, Charterhouse Corporate Investments ("CCI"). Its overdraft with Williams and Glyns stood at £282,009.

In early 1981 the trading results were worse than in the year before. A deciison was taken to close the company if no purchaster could be found. Redundancy notices were issued and the Group advanced £75,000 to enable Tempest to pay compensation.

One of the employees marked for redundancy was the Finance and Sales Director, Mr Allam. He thought that with more enterprising management Tempest could be made profitable, and decided to offer to buy its entire issued share capital. He raised £150,000 for that purpose and arranged for Barclays Bank to provide new credit facilities for Tempest under his control.

Mr Allam negotiated the terms of acquiistion with the Group. By August 12 most of the terms had been agreed. The Group was to subscribe £780,000 for a rights issue of new shares in Tempest. The money would be used to pay off the ovedraft and all but £150,000 of the indebtedness to CCI. Mr Allam would then buy all the shares in Tempest for £1.

Of the £150,000 indebtedness outstanding, £50,000 would be repaid on completion out of money lent to Tempest by Mr Allam. Another £20,000 would be repaid a year after completion. Finally, Tempest would, on the second anniversary after completion, pay a sum equal to the material cost of such of its stock as it had sold in the first year, or £80,000, whichever was the less.

It was agreed that Tempest's managing director should be made redundant and that Charterhouse would repay to Tempest the compensation to which he became entitled. That amounted to £30,041. Also Tempest was to covenant that for two years after completion it would not carry on various kinds of business carried on by other CI subsidiaries.

So that the Group could realise a capital loss for tax purposes, it was decided that CCI should sell the Tempest shares to another group company, CIT, which would then sell them to Mr Allam.

On August 20 1981 the transaction was substantially completed. There was a slight difficulty when it was found that the amount owing to Wiliams & Glyn was greater than expected, so that the £780,000 subscribed for new shares was not sufficient to repay the CCI loan in full. To overcome that CCI agreed to waive the excess, amounting to £10,266.

After Mr Allam assumed control Tempest's fortunes at once began to mend. In the eight months to August 31 1981 it made a trading loss of £247,787. In the remaining four months of the year it made a profit of £68,969. In 1982, 1983 and 1984, it made trading profits of £134,562, £104,558 and £103,000 respectively.

By a letter signed by Mr Allam on Tempest's behalf at the completion meeting on August 20, it was agreed that the tax losses for the years 1979 and 1980 would be surrendered to the Group. In the present action members of the Group claimed specific performance of that agreement.

Tempest's main defence was that the agreement was unenforceable because it contravened section 54 of the Companies Act 1948, which was in force at the time.

Mr Weaver for Mr Tempest submitted that the tax losses were valuable assets of Tempest and their surrender constituted the giving of "financial assistance" within section 54.

He said the sole or dominant purpose for surrender of the tax losses was to facilitate the sale of the shares in Tempest by CIT to Mr Allam, because without surrender the shares would not have been sold or would have been sold only at a substantially higher price than £1.

Once that was established as the only or main purpose of the transaction, it was argued, the section was contravened whether or not Tempest received fair value for the surrender: see *Belmont Finance v Williams Furniture (No 2) [1980] 1 All ER 393*.

There were two elements in the commission of an offence under section 54. The first was the giving of financial assistance and the second was that it should have been given "for the purpose of or in connection with," in the present case, a purchase of shares.

The giving of financial assistance was not defined in the section. The words had no technical meaning and their frame of reference was the language of ordinary commerce.

Belmont showed that sale of an asset by the company at a fair value could properly be described as giving financial assistance if the effect was to provide the purchaser with the cash needed to pay for them. If the only or main purpose of such a transaction was to enable the purchaser to buy the shares, the section was contravened.

But *Belmont* was of limited assistance in deciding whether an altogether different transaction amounted to the giving of financial assistance.

It was necessary to look at the transaction as a whole and to decide whether it constituted the giving of financial assistance by Tempest, bearing in mind that the section was penal and should not be strained to cover transactions which were not fairly within it. That involved a determination of where the net balance of financial advantage lay.

There was no contradiction between that view and anything said in *Belmont*.

In *Belmont* the company made cash availble to the purchaser. In the present case no cash was provided and the only way in which it could even plausibly be suggested that Tempest gave financial assistance was if it made a net transfer of value which reduced the price Mr Allam would have had to pay for the shares if the transaction as a whole had not taken place.

In addition to the share subscription monies, Tempest derived substantial benefits from the principal agreement.

First, the conversion of the terms on which the loan was repayable must have conferred a substantial benefit on Tempest.

Second, CCI made no charge for interest on its 1981 loans. Third, the Group had agreed to pay redundancy compensation to the managing director. Fourth, the Group agreed to pay the £7,800 capital duty payable by Tempest on the £780,000 share issue. Fifth, CCI had waived £10,266 of its debt to enable Tempest to pay its overdraft.

Against those benefits to Tempest, it undertook two burdens. The first was the covenant restraining it for two years from carrying on certain kinds of business.

That must have been of some value to the Group

The other burden was the surrender of tax losses. Today it was clear that entitlement to those tax losses would be of substantial value to Tempest. Their value in August 1981 was a very different matter. At that time Tempest's future was uncertain. Mr Allam was confident that it could be made profitable, but on an objective appraisal of its prospects at that time, one could not have assumed that it was bound to succeed.

If it failed the 1979-80 tax losses would be worthless. If it recovered, the benefit of the losses would accrue only at an uncertain future date. There was no evidence that they could be sold to a third party for ready money.

The effect of the transaction as a whole, ignoring the effect of the £780,000 subscription, clearly constituted financial assistance being given to Tempest for the purpose of putting it into a state in which Mr Allam would buy the shares for £1, and did not involve Tempest giving financial assistance to anyone.

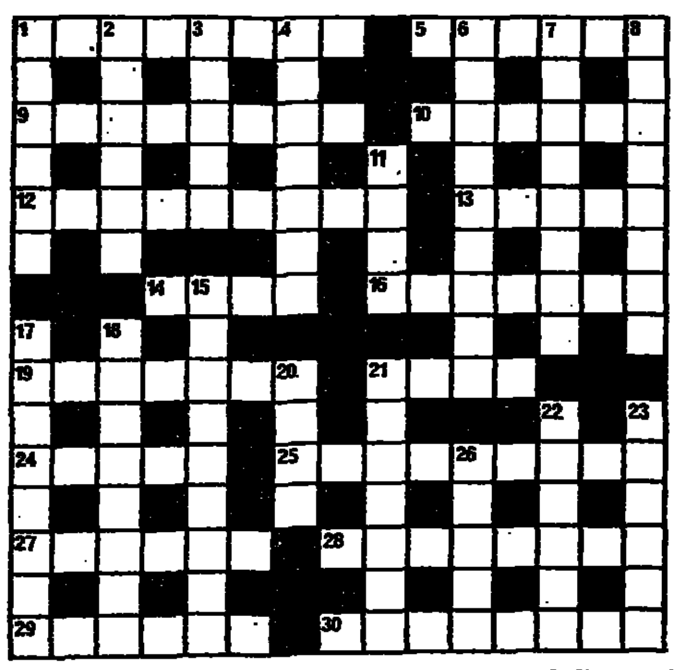
Even if the transaction had involved a net transfer of value from Tempest to the Group, Tempest could not have been said to have given financial assistance. It was no more than a change in the character of the assets being sold.

For CIT: Charles Purle (Gouldens)

For Tempest: Oliver Weaver OC (Routh Stacey, agents for Stapleton & Son, Stamford)

By Rachel Davies
Barrister

F.T. CROSSWORD PUZZLE No. 5,755



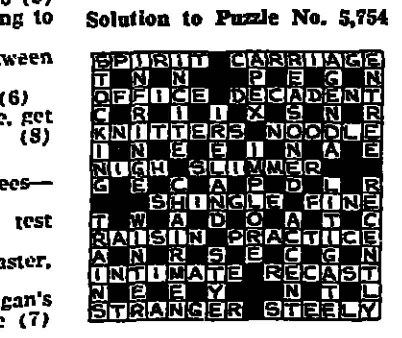
ACROSS

1 Set off for school in time (8)
5 Supply a leading French car (6)
9 Give information about a group moving rapidly (8)
10 Uncle's first seen in clothing for imprisonment (6)
12 Screened eccentric Italian leader sitting in seat (9)
13 Dismal doctor gets attention (5)
14 For example, the centre-forward's in control (4)
16 Wandering in, poor Carrie started talking (7)
19 His bloomers must be paid for (7)
21 This bird is an unusually odd duck (4)
24 Beheaded the chaps, with a girl to follow (5)
25 Badly maul some union leader thrown into tomb (9)
27 Note two people learning to drive in New Road (6)
28 The dog was seated between two men (8)
29 Modified Ulster score (6)
30 As Bet's terribly outsize, get the building material! (8)

DOWN

1 Don't start moving trees—it's a waste (6)
2 Fly South-East after test manoeuvre (6)
3 Rover, with no master, wagged tail (5)
4 The heartless Mrs Reagan's period of holding office (7)
6 Went down and discovered woolly deer (9)
7 To Peter Cook, a musical drama (8)
8 Boy stands up girl — a shameful thing (8)
11 Around October 3 what's to be paid for the holiday (4)
15 After Pentecost he set up everything for the British Government (9)
17 Present aim is to go in and get the criminal (8)
18 Cheers, moving close to embrace spoilt son (8)
20 Break in, thanks to me (4)
21 Man's man (7)
22 Describe being in charge in one part of the store (6)
23 Could be sad about people getting compensation (6)
26 Hold forth gold blend tea (5)

Solution to Puzzle No. 5,754



BASE LENDING RATES

A.B.N. Bank	12½%	Heritable & Gen. Trust	12½%
Allied Irish Bank	12½%	■ Hill Samuel	§12½%
American Express Bk.	12½%	C. Hoare & Co.	12½%
Henry Ansbacher	12½%	Hongkong & Shanghai	12½%
Amro Bank	12½%	Johnson Matthey Bkrs.	12½%
Associates Cap. Corp.	13 %	Knowsley & Co. Ltd.	13 %
Banco de Bilbao	12½%	Lloyds Bank	12½%
Bank Hapoalim	12½%	Edward Manson & Co.	13½%
BCCI	12½%	Meghraj & Sons Ltd.	12½%
Bank of Ireland	12¾%	Midland Bank	12½%
Bank of Cyprus	12½%	■ Morgan Grenfell	12½%
Bank of India	12½%	Mount-Credit Corp. Ltd.	12½%
Bank of Scotland	12½%	National Bk. of Kuwait	12½%
Banque Belge Ltd.	12½%	National Girobank	12½%
Barclays Bank	12½%	National Westminster	12½%
Beneficial Trust Ltd.	13½%	Northern Bank Ltd.	12½%
Brit. Bank of Mid. East	12½%	Norwich Gen. Trust	12½%
■ Brown Shipley	12½%	People's Trust	13½%
CL Bank Nederland	12½%	Provincial Trust Ltd.	13½%
Canada Permanent	12½%	R. Raphael & Sons	12½%
Cayzer Ltd.	12½%	PK Finans Intl. (UK)	13 %
Cedar Holdings	13 %	Roxburghe Guarantee	13 %
■ Charterhouse Japhet	12½%	Royal Bank of Scotland	12½%
Choulartons**		Royal Trust Co. Canada	12½%
Citibank NA	12½%	■ J. Henry Schroder Wagg	12½%
Citibank Savings	¶12¾%	Standard Chartered	‖12½%
City Mercvhants Bank	12½%	TCB	12½%
Clydesdale Bank	12½%	Trustee Savings Bank	12½%
C. E. Coates & Co. Ltd.	13 %	United Bank of Kuwait	12½%
Comm. Bk. N. East	13 %	United Mizrahi Bank	12½%
Consolidated Credits	12¾%	Westpac Banking Corp.	12½%
Co-operative Bank	*12½%	Whiteaway Laidlaw	13 %
The Cyprus Popular Bk.	12½%	Williams & Glyn's	12½%
Dunbar & Co. Ltd.	12½%	Yorkshire Bank	12½%
Duncan Lawrie	12½%		
E. T. Trust	13 %		
Exeter Trust Ltd.	13 %		
First Nat. Fin. Corp.	13½%		
First Nat. Secs. Ltd.	13½%		
■ Robert Fleming & Co.	12½%		
Robert Fraser & Ptns.	13½%		
Grindlays Bank	‡12½%		
■ Guinness Mahon	12½%		
■ Hambros Bank	12½%		

■ Members of the Accepting Houses Committee.
* 7 day deposits 5½%, 1 month 10¼%. Top Tier—£2,500+ at 3 monthly notice 12½%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 9½% gross.
‖ 21-day deposits over £1,000 10½%.
¶ Mortgage base rate.
** See Provincial Trust Ltd.
§ Demand deposits 5¼%.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Pearl Trust Managers Ltd. (a)(g)
252 High Holborn, WC1V 7EB 01-405 8441

Pearl Growth Fd	59 4	63 7	-0 9	3 527
Accum Units	86 5	96 0	-1 4	3 527
Pearl Inc.	84 5	89 9	-1 6	5 13
Pearl Unit Tst	[illegible]	93 3	-1 1	4 29
(Accum Units)	148 5	157 9	-1 9	4 29

Perpetual Unit Trust Mngmt. (a)
48, Hart Street, Henley on Thames 0491 576868

Growth	176 9	189 8	-1 8	1 49
Income	130 8	140 2	-2 1	5 42
Worldwide Recovery	100 4	107 8	-0 9	2 10
American Growth	56 9	61 1	-0 1	0 65
Intl. Emerging Cos	56 6	60 9	-0 5	0 77
Far East Growth Fd	46 9	50 3	-0 3	1 00

Prolific Unit Trusts
222, Bishopsgate, EC2 01-247 7544/7

Prolific Far East	102 8	110 2	-0 4	0 32
Prolific Extra Inc.	60 2	63 3	-0 7	6 02
Prolific Gilt Cap	79 8	83 0	+0 2	3 31
Prolific High Inc.	120 2	129 3	-1 4	5 70
Prolific Intl	83 6	89 4	-0 5	1 54
Prolific N Amer	117 6	126 0	+0 1	1 52
Prolific Spec. Sits	131 6	141 5	-2 0	1 78
Prolific Technology	102 9	110 2	-0 3	0 69

Providence Capital Fd. Mgrs. Ltd.
30 Uxbridge Road, London, W12 8PG 01-749 9111

Japan Trust	48 6	51 7	-0 6	0 00
Worldwide	47 9	50 7	-0 3	1 62
European Trust	47 9	50 7	-0 2	1 69
North American	52 3	55 3	-0 1	2 05
UK Equity	47 4	50 2	-0 4	4 07

Prudential Unit Trust Mngrs Ltd. (a) (b) (c)
51-49, Ilford Hill, Ilford Essex IG1 2DL 01-478 3377

Holborn Equity Tst.	302 0	321 2	-4 0	3 80
Holborn Gilt Tst.	149 1	156 2	-0 2	9 01
Holborn High Inc	52 5	55 8	-0 2	7 36
Holborn Intl	60 3	64 1	-0 1	1 55
Holborn UK Growth	60 1	63 9	-0 6	1 68

Quilter Management Co. Ltd.
31-45 Gresham Street, EC2 01-600 4177

Quadrant Gen. Fd	312 5	332 5	2 55
Quadrant Income	181 2	190 8	6 76
Quadrant Intl. Fund	301 1	317 0	1 50
Quadrant Recovery	195 6	205 9	2 80

Reed Stenhouse Inv Services Ltd
145 Borough High St, Ldn SE1 1NY 01-628 6011

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens Hse, Andover, Hants, SP10 1PG
0264 62188 Dealings to 0264 63432-3

TSB American	98 2	104 5	-0 9	1 18
Do Accum	101 1	107 6	-0 9	1 18
TSB Extra Income	83 0	88 3	-0 6	6 53
Do Accum	92 3	98 3	-0 6	6 53
TSB General	111 9	119 0	-1 5	3 53
Do. Accum	178 4	189 7	-2 4	3 53
TSB Gilt & Fxd Int	46 6	48 6	+0 1	9 50
Do Accum	56 3	58 7	+0 1	9 50
TSB Income	153 2	163 0	-1 7	5 19
Do Accum	233 4	246 3		5 14
TSB Pacific	104 9	111 7	-0 8	1 05
Do Accum	107 7	114 6	-0 8	1 05
TSB International	228 1	242 7	-1 3	1 90
Do Accum	277 6	215 4	-1 6	1 90
Natural Resources	45 1	48 0	-0 4	2 68
Do Accum	45 85	48 5	-0 4	2 68
TSB Sicd. Opps.	44 7	47 1	-0 4	2 51
Do Accum	47 5	50 6	-0 5	2 61

3i & Target Fund Mgrs Ltd
Target House, Gatehouse Road, Aylesbury, Bucks
Aylesbury (0296) 5941

Small Cos Fund	67 3	72 0	-0 5	0 10

Target Trust Mngrs. Ltd. (a)(g)
Target Hse Gatehse Rd Aylesbury Bks (0296) 5941

American Eagle	67 4	72 1		0 36
Australia	26 6	28 4	-0 7	0 10
Commodity	93 4	100 4	-0 5	1 72
Energy	42 0	44 9	-0 6	0 78
Equity	91 6	97 7	-1 6	4 05
European Spec. Sit	50 1	53 6	-0 5	0 93
Extra Income	87 8	93 9	-1 1	7 72
Financial	190 8	203 5	-6 4	3 03
Gilt Capital	213 8	223 9	+1 0	3 25
Gilt Income	100 7	105 4	+0 2	9 09
Gold Income	61 4	65 7	-1 0	2 33
Gold Acc	111 0	118 7	-1 9	2 33
Income	55 8	60 0		6 24
Japan	44 6	47 6	-0 7	0 10
Malaysia & Singapore	24 9	26 6	-0 4	1 11
Pacific Income	67 4	72 1		0 86
Pacific Acc Uts	81 6	87 3		0 86
Preference Share	16 1	17 4		9 96
Professional	455 1	485 3	-0 8	1 79
Special Sit	79 8	85 4	+0 6	2 63
Technology	42 5	45 9	+0 7	0 10
U S Special Bond	49 7	53 2		6 38
Worldwide Capital	109 2	116 5	-0 5	1 78
Equity Exempt June 25	606 6	647 0		2 53
Equity Ex Acc June 25	1114 9	1189 2		2 53

Temple Bar Unit Trust Mgrs Ltd
Electra Hse Temple Pl Vic Emb, WC2 836 7766

Electra Small Cos. Fd	125.80	132 72		1 78

Barclays Life Assur. Co. Ltd.
252 Romford Rd, E7 01-534 5544

Black Horse Life Ass. Co. Ltd.
346a, High St, Chatham

INSURANCES

Manufacturers Life Insurance Co (UK)
St George's Way, Stevenage 0438 356101

Managed	282.7	297 6
Property	233 1	245 4
Equity	298.0	313 6
Gilt Edged	298.6	314.3
Deposit	171.6	180 6
Investment	124.2	131 5
International	233 6	245 9

Pension Fund Prices

Managed Int.	201 8
Do. Accum.	229.1
Property Int.	196.3
Do. Accum.	222.9
Equity Int.	219.3
Do Accum.	248.8
Gilt-Edged Int	189 4
Do Accum.	215 1
Guaranteed Int.	132.9
Do. Accum.	151.0
International Int	286.8
Do. Accum.	325.4
Index Lk. Gilt Int.	118 0
Do. Accum.	134 0

Property Growth Assur. Co. Ltd.
Leon House, Croydon CR9 1LU 01-680 0606

Property Fund	293 7	
Property Fund (A)	283 7	
Agricultural Fund	1,046 2	
Agric. Fund (A)	1,010.8	
Abbey Nat. Fund	242 0	
Abbey Nat Fd (A)	241 2	
Investment Fund	155.7	
Investment Fund (A)	152 0	
Equity Fund	534 7	-2.8
Equity Fund (A)	512 2	-2.6
Money Fund	245 1	
Money Fund (A)	239.7	
Actuarial Fund	262 1	
Gilt-Edged Fund	206.8	+0 3
Gilt-Edged Fd. (A)	206 8	+0.3
Retire Annuity	400.0	
Immed. Ann'ty	201 0	
International Fd.	281 5	
Bldg. Soc. Life Fd	119.8	

Property Growth Pensions & Annuities Ltd.

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg

World Fund NAV	$?21.3	—	−0.02	—

World Wide Growth Management♦
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd.	$12.72	—	+0.1	—

Inv. Adv.: M. & G. Inv. Mngt., Ltd., London.

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$9.07	—	+0.11	—
Dynamic Gwth Fd.	$8.16	—	+0.06	—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB 01-588 1815				
Deposit	12.2	—	—	3-mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	12.61	9.49	13.93	6-mth
7-day Fnd	12.68	9.49	14.03	6-mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	12.26	9.16	13.52	6-Mth
7-day Fund	12.29	9.19	13.55	6-Mth
Dollar	6.37	—	—	6-Mth
Money Mngt. Acc.	12.00	8.97	13.43	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh, EH2 4DF 031-225 8484				
Full Service Cur Acc.	12.25	8.75	13.09	Qtr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	12.375	9.25	13.87	Qtr
Mth. Int. Chq.	12.25	9.16	13.90	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Cheque Acc.	11.50	8.39	12.77	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	12.00	8.875	13.29	Qtr
Britannia Investment Services Ltd. 29 Finsbury Circus, EC2M 5QL. 01-588 2777				
Cater Allen	12.25	9.16	13.6444	Mth
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	12.25	9.16	13.09	Mth
U.S. Dollar	7.00	7.00	7.23	Mth
German Marks	4.75	4.75	4.85	Mth
Swiss francs	1.50	1.50	1.51	Mth
Japanese Yen	5.00	5.00	5.12	Mth
Citibank Savings St Martins Hse, Hammersmith Grove 01-748 9251				
Cheque Plus	—	10.00	14.03	Qtr
Co-operative Bank Cheque & Save 78-80 Cornhill EC3 01-626 6543.				
£500-£2,500	11.0	8.22	12.11	Qtr
£2,500 +	13.06	9.72	14.40	Qtr
Dartington & Co Ltd Dartington, Totnes, Devon TQ9 6JE. 0803 862271				
Money Mkt Acc.	12.25	9.20	13.83	Qtr
Edward Manson & Co Ltd 9 Henrietta Place W1M 9AG 01-631 3313				
Cheque Deposit Acc.	12.75	9.53	14.49	Mth
Henderson/Bank of Scotland 38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc.	11.50	8.59	12.77	Mth
Lombard North Central PLC 17 Bruton St, W1A 3DH. 01-409 3434				
14-Day Notice	12.375	9.25	13.23	—
M. & G/Kleinwort Benson 91-99 New London Rd, Chelmsford. 0245 51651				
H.I.C.A.	12.10	9.04	13.40	Daily
Midland Bank plc PO Box 2, Sheffield. 0742 20999 Ext 8738				
High Int Chq	11.77	8.80	13.17	Qtr
Provincial Trust (formerly Chesterton) 30 Ashley Rd, Altrincham, Cheshire 061-928 9011				
Cheque Acc.	12.75	9.53	14.50	Mth
Royal Bank of Scotland plc 24 Lombard St, London EC3V 9EA 031-557 0201				
Premium Account	12.25	9.15	13.73	Qtr
Save & Prosper/Robert Fleming 28 Western Rd, Romford RM1 3LB. 0708 66966				
H.I.B.A.	12.04	9.00	13.45	Daily
Tyndall & Co 29-33 Princess Victoria St, Bristol. 0272 732241				
Demand Acc	12.40	9.27	13.93	Qtr
Money Acc.	12.207	9.125	13.68	Qtr
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc.	12.10	9.04	13.70	Mth
Over £10,000	12.35	9.23	14.02	Mth
Western Trust & Savings Limited The Moneycentre, Plymouth PL 1SE 0752 24141				
High Int. Chq Acc.	12.63	9.44	13.26	Qtr

NOTES—Gross rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase.

OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	16	Midland Bk.	30
BAT	32	NEI	8
BOC Grp.	25	Nat West Bk.	60
BSR	16	P & O Dfd.	36
BTR	52	Plessey	17
Babcock	14	Polly Peck	26
Barclays	48	Racal Elect.	18
Beecham	32	RHM	11
Blue Circle	45	Rank Org Ord.	32
Boots	15	Reed Intnl	58
Bowaters	20	Sears	8
Brit Aerospace	33	TI	28
Brit. Telecom	11	Tesco	20
Brown (J.)	3	Thorn EMI	35
Burton Ord.	39	Trust Houses	13
Cadburys	14	Turner Newall	10
Comm Union	19	Unilever	85
Courtaulds	12½	Vickers	19
Debenhams	17½	**Property**	
Distillers	20	Brit Land	12
Dunlop	6	Cap Counties	18
FNFC	8½	Land Secs.	25
Gen Accident	45	MEPC	28
Gen Electric	17	Peachey	22
Glaxo	85	Samuel Props	14
Grand Met.	25	**Oils**	
GUS 'A'	60		
Guardian	60	Brit. Oil & Min.	4
GKN	17	Brit Petroleum	42
Hanson Tst.	17½	Burmah Oil	18
Hawker Sidd.	38	Charterhall	6
Hse of Fraser	30	Premier	5
ICI	60	Shell	68
'Imps'	18	Tricentrol	18
Jaguar	28	Ultramar	19
Ladbroke	24	**Mines**	
Legal & Gen	50	Charter Cons.	18
Lex Service	28	Cons Gold	44
Lloyds Bank	45	Lonrho	14
Lucas Inds	25	Rio T Zinc	56
Marks & Spencer	11		

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

U.S. farm Bill caught by conflict of interests

By Nancy Dunne in Washington

CONGRESSIONAL subcommittees are moving at a snail-like pace on the 1985 Farm Bill as farm state legislators strive to make U.S. agricultural exports more competitive while protecting farmer income.

This week, a House grains subcommittee voted to raise the target prices which provide subsidies, but to award them to farmers for only half their previous output. The theory is that farmers will then cut their production, knowing that only a portion of the crop will bring subsidies, and will so conserve some land and save on planting expenses.

The same subcommittee agreed to drop the loan rate, which supports U.S. prices, by 5 per cent both next year, and in the years to come.

The panel endorsed the new "market loan" concept which has won some support in both houses. It would allow farmers to pay back their loans for less than they borrowed if market prices drop. However, the subcommittee said the difference between the loan rate and payback must be no more than 60 cents a bushel.

Milk support price reduced

WASHINGTON—The national support price for U.S. milk will be reduced to $11.6 per cwt from $12.1 from July 1, Mr John Block, U.S. Agriculture Secretary, announced.

The secretary said the support price is being reduced under current law which authorises a reduction on July 1 if net price support purchases by the Commodity Credit Corporation (CCC) over the next 12 months are estimated to exceed five billion lbs of milk equivalent.
Reuter

Brazil coffee controls set to boost exporters' costs

BY ANDREW GOWERS

THE Brazilian authorities were yesterday preparing to announce tighter controls on coffee stocks held within the country, in a move which could significantly boost exporters' costs.

Coffee traders in Sao Paulo and Santos expect the change to take effect in the new crop year starting on July 1, for which the state-run Brazilian coffee institute is due to open export registrations today.

Under the new plan traders would be required to match each bag of exported coffee with a delivery to IBC warehouses. This stock, which exporters would be expected to finance themselves would then effectively be "frozen" for 90 days.

Traders believe the move has two main purposes:

● By taking coffee out of circulation it may reduce the amount which the IBC has to buy under local price support arrangements, in line with the general "squeeze" on Brazilian Government spending.

● It will enable the authorities to keep a tighter grip on stocks, which have been open to manipulation in the past. Some traders believe it could also lead to an increase in the quality of Brazilian exports, especially towards the end of the season when quality categories have tended to become mixed together.

However, it will almost certainly have the additional effect of increasing the financing costs of many exporters, which have reached punitive levels, owing to high Brazilian inflation and interest rates.

"This should lead to an increase in the amount of stocks an exporter would be forced to carry," said one trader. "There's no doubt that this would mean quite a change for the exporter," said another. Traders did not however expect the move to have a significant impact on exports themselves.

Brazil's coffee crop in 1985-1986 is estimated at between 29.5m 60-kilo bags and 33m bags, up from the 1984-1985 level of 27m bags. Recent frosts in some producing regions do not appear to have caused any significant damage.

The country's sales quota under the International Coffee Agreement, is just over 17m bags. Sales to non members of the Agreement, traditionally about 2m bags a year, are believed to have plunged in recent months and Brazil has complied with an agreement, not to sell to non-members at a discount.

This means that the trade as a whole will probably be carrying over a higher level of stocks in 1986 than before.

The IBC is also due to announce new minimum producer prices for coffee growers. The price from July 1 is understood to have been fixed at Cru 460,000 a bag ($78), still well below the market level.

EEC sugar subsidy moves viewed with scepticism

BY OUR SAO PAULO CORRESPONDENT

TRADERS at the sugar symposium here reacted sceptically to the EEC's suspension of subsidised sugar exports at its weekly selling tender on Wednesday. They claimed the suspension would at best bring only a temporary respite for the depressed world market.

"This is a step in the right direction," said one trader. "But it's probably not a change of heart."

Most observers said the decision by the EEC sugar management committee to refuse all export bids did not alter the fact that the Community has still a large sugar surplus which it needs to dispose of on the world market.

"Once the price rises, they'll be back dumping the same amounts," said one broker.

Meanwhile, more details emerged to explain the EEC move. It is understood that the Commission has decided it will not export sugar when the subsidy needed to match the world market price exceeds 85 per cent of the internal Community price.

Our commodities staff writes that raw sugar futures ended the late afternoon call near session highs boosted by firm U.S. market prices, pressure on the dollar and the European Community's refusal to allow any export awards at Wednesday's tender because of low world prices for sugar. Futures posted gains from the previous close of $1.60 to $2.20 a tonne in a volume of 1,366 lots.

Futures report reveals world volume leaders

By Our Washington Staff

RAPE SEED, silver and dried cocoon were among volume leaders on non-U.S. commodity trading exchanges in May, according to a new monthly report being compiled by the U.S. Futures Industry Association (FIA).

The report, which plans to include the London exchanges, lists silver as the highest volume contract last month on the Tokyo commodity exchange, where, more than 200,000 silver futures changed hands, along with almost 54,000 gold contracts, 44.00 platinum and 61,000 rubber.

Silver, however, made a poor showing on the Winnipeg commodity exchange.

Noranda cuts zinc output by 10%

By John Edwards, Commodities Editor

ANOTHER Canadian zinc producer, Noranda, yesterday announced that it was cutting production to reflect reduced demand. It said that output at its Valleyfield plant would be reduced by 12,000 short tons in the second half of the year — the cut would be equal to 10 per cent of its first-half operating rate.

Noranda's decision to reduce production follows closely on the move by Cominco of Canada to cut output by 10 per cent. Yesterday Cominco said zinc ore concentrate production at its Pine Point Mines would decline by 35,000 tons during the second half of 1985, a reduction of 11 per cent, to allow for reduced demand by the company's Trail smelter. It said the reduced production levels would be maintained into 1986 or until improved market conditions warranted a resumption of full production. It blamed the cut on reduced demand and low prices.

Noranda's decision to follow the cuts announced by Cominco and Asturaina of Spain earlier this week helped maintain the firmer trend on the London Metal Exchange zinc market yesterday. The three months quotation gained £7 to £598.5 a tonne after reaching £600 at one stage. Traders said selling resistance emerged at the £600 level.

Aluminium prices lost further ground yesterday with the three months quotation closing £5.5 lower at £791.5 a tonne. Nickel also came under heavy selling pressure, encouraged by an easing in the nearby supply situation. As a result cash nickel dropped by £115 to £4,127.5 a tonne, while the three months price closed £85 down at £4,117.5.

Copper was easier, depressed by the liquidation of the July contract on the New York (Comex) market. However, the gap between the cash and three months prices narrowed again

Peter Blackburn on easing of Belgian control

Zaire takes on direct marketing

ZAIRE is to take over direct marketing of its copper and cobalt from July 1 in a further move to assert independence from Belgium and maximise earnings.

Gecamines Commerciale, one of three subsidiaries set up during a major restructuring of the state-owned Generale des Carrieres et des Mines (Gecamines) last November, will take over marketing from Belgium's SGM-Afrimet.

One of the most important changes was that Gecamines retained ownership of its copper and cobalt which had previously been handed over to the state-owned Societe Zairoise de Commercialisation (Sozacom).

The changes followed pressure from the World Bank and other donors concerned about sales of large tonnages without receipts. Gecamines is setting up a marketing office in Brussels and for the first three months will work in parallel with SGM. No changes are foreseen at the moment in Belgium's Metallurgie - Hoboken - Overpelt's annual refining contract of some 200,000 tones of standard grade cathodes, Gecamines said.

Kiakwama Kia Kiziki, the head of Gecamines Commerciale, said that Zaire was out of touch with world markets. "It isn't normal for a country exporting nearly 500,000 tonnes a year of copper not to have a single representative at the London Metal Exchange (LME)," he said.

It was important to follow market trends more closely and develop customer relations, he added. "We want to gain credibility which is difficult when our clients have never seen us." No major changes were envisaged in products or export destinations, according to Mr Michael Fleming, Gecamines production's marketing director in Lubumbashi.

Gecamines, the world's leading wirebar producer with an annual output of more than 200,000 tonnes a year, expects to continue wirebar production for another ten years. A few years ago it seemed that the company might phase out wirebars in response to changes in world demand. Gecamines also plans to build 100,00 tonnes a year refinery at Kolwezi to produce high grade cathodes. This means that fewer standard grade cathodes and blister will be exported to Belgium for refining.

Cobalt exports rose nearly 40 per cent to 13,351 tonnes last year and were worth $240m. Exports are expected to rise slightly to 13,500 tonnes in 1985. Zaire is the world's largest exporter with 60 per cent of the market.

Since the beginning of last January Gecomines has sold cobalt directly to MHO in Belgium for refining into salts, powders and other special products. Refining was formerly done on a toll basis which meant that Zaire had to bear any adverse price or foreign exchange movements.

In 1984 copper production totalled 463,900 tonnes (1983—465,800) of which 225,200 was wirebars, 82,600 standard grade cathodes and 156,100 tonnes of blister. The output forecast for 1985 is 460,100 tonnes.

WASHINGTON — The U.S. House Interior Committee unanimously approved a Bill aimed at halting a decline in the U.S. copper industry. It calls on President Reagan to negotiate a voluntary production restraint agreement with other copper producing countries, mainly Chile, Zaire, Zambia and Peru. If he fails to negotiate such an agreement, President Reagan would be required to impose a surcharge on all copper imports of 15 cents per pound.

Donors postpone talks on investment for Gecamines

BY OUR ZAIRE CORRESPONDENT

AN AID donors' meeting to discuss the funding of Zaire state copper and cobalt mining company Gecamines new $750m five-year investment programme, which was scheduled to take place earlier this month, is now expected to be held in September, according to the company in Kinshasa.

The delay, one of several over the past 18 months, has been caused by doubts among aid donors over the recent creation of a state trading agency, Sonatrad, to co-ordinate the purchase of equipment and supplies for Gecamines and four other major state enterprises.

Sonatrad, which is managed by Mr Robert Crem, former Belgian head of Gecamines, is intended to standardise purchases and reduce costs. However aid donors say it runs counter to present policies of economic liberalisation and that centralised purchasing is likely to cause delays and add to costs.

Mulenda Mbo, the head of Gecamines production, expressed "disappointment" at the lack of support shown by aid donors"

Zambia sees higher copper production

PARIS — Zambian refined copper production is expected to rise to 537,000 tonnes this year from 522,000 in 1984, Luke Mwananshiku, Zambian finance minister, said.

Cobalt output should remain steady at about 4,000 tonnes.

Mwananshiku noted that copper output had fallen as foreign exchange shortages led to difficulties in importing the goods needed for mine production. Production in 1983 was 681,000 in 1980.
575,000 tonnes
Reuter

LONDON MARKETS

BASE METALS

LME prices supplied by Amalgamated Metal Trading

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	768.5-9.5	-5.5	968.5
3 months	791.5-2	-5.5	794.5/785

Official closing (am): Cash 768-.5 (782-.5), three months 790.5-1.5 (804.5): settlement 768.5 (782.5). Final Kerb close: 794-4.5. Turnover: 8,500 tonnes.

COPPER

Higher grade	Unofficial close	+ or —	High/Low
Cash	1085.5-6	-10.75	1090/1088.5
Three m'nths	1088.5-9	-15	1105.5/1097

Official closing (am): Cash 1089-90 (1099-100), three months 1104-.5 (1116-7): settlement 1090 (1100). Final Kerb Close: 1097-98.

Cathodes			
Cash	1070-1	-13	1086/1070
Three m'nths	1085-7	-16	1096

Official closing (am) Cash 1085-6 (1085-8), three months 1096-7 (1104-7): settlement 1088 (1088). Turnover 20,725 tonnes. U.S. Producer prices 65.50-70 cents per lb.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	301.2-2.5	-2.5	301/300
3 months	301-.5-.5	-.5	301.5/301

Official closing (am): Cash 301-2 (304-5), three months 301-2 (302-3): settlement 302 (305). Final Kerb close: 301.5-2) Turnover: 4,825 tonnes. U.S. Spot: 19-21 cents per lb.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	4125-30	-155	4185/4150
3 months	4115-20	-85	4190/4110

Official closing (am): Cash 4130-5 (4275-6), three months 4120-5 (4245-50): settlement 4135 (4276). Final Kerb close: 4125-30. Turnover: 2,154 tonnes.

TIN

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/low for day
Cash	9690-700	-630	9710
3 months	9450-5	-92.5	9460/9450

Official closing (am): Cash 9690-700 (10070-80), three months 9480-90 (9525-35): settlement 9700 (10080).

Standard			
Cash	9670-80	-650	9740/9670
3 months	9420-30	-92.5	9486/9440

Official closing (am): Cash 9670-5) (10070-80), three months 9480-5 (9525-30); settlement 9675 (10080). Final Kerb close: 9480-85. Turnover 1,145 tonnes. Straits tin $m30.25 (30.03) kilo.

ZINC

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	618-20	+2	635/630
3 months	598-9	-7	600/595

Official closing (am): Cash 606-8 (605-7), three months 585-5 (592.5-3): settlement 608 (607). Final Kerb close: 597-98. Turnover: 16,475 tonnes. U.S. Prime Western, 44-45.50 cents per lb.

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

METALS	June 27 1985	+ or —	Month ago
Aluminium	£1100	.....	£1100
Free Mkt	$1080/960	.....	$1030/110
Copper			
Cash h Grade	£1085.75	-10.75	£1158.5
3 mths	£1088.75	-15	£1165.5
Gold troy oz	$317	-0.25	$314.25
Lead Cash	£301.5	-2.5	£292
3 mths	£301.25	-0.5	£298.75
Nickel			
Free Mkt	260/280c	.....	249/278c
Palladium oz	$98.60	-0.15	$98.00
Platinum oz	$266.60	-2	$264.65
Quicksilver†	$285/295	.....	$280/290
Silver troy oz	472.80p	-2.55	482.30p
3 mths	486.65p	+2.80	496.85p
Tin cash	£9,675	-650	£9530.5
3 mths	£9,425	-92.5	£9502.5
Tungsten	$73.74	.....	$79.03
Wolfram 22 04lb	$56 60	.....	$63/66
Zinc	£619	+2	£607.5
3 mths	£598.5	+7	£615.5
Producers	$880	.....	$950

OILS	June 27 1985	+ or —	Month ago
Coconut (Phil)	$565v	+10	$585
Palm Malayan	$550u	.....	$580
SEEDS			
Copra Phil	$380z	.....	‡
Soyabean (U.S.)	$233	.....	$231
GRAINS			
Barley Fut. Sept.	£97.15	+0.45	£98.65
Maize	£145.00	-1.5	£149.50
Wheat Fut Sept	£98.00	+0.35	£99.10
No. 2 Hard Wint.	‡	.....	‡
OTHERS			
Cocoa Ft. Sept.	£1708	+2	£1764.5
Coffee Ft. Sept.	£1997	+18.5	£2049
Cotton A index	62.60c	.....	64.20c
Gas Oil Aug.	$212.75	.....	$217.25
Rubber (kilo)	66p	.....	63p
Sugar (raw)	$87vu	+1	$90
Wooltops 64s	455pkilo	-4	468pkilo

‡ Unquoted. u Aug. v June-July. w Sept. y July. z July-Aug. † Per 76 lb flask. c Cents per pound.

INDICES

FINANCIAL TIMES

June 26	June 25	M'th ago	Year ago
281.04	280.25	282.62	302.57

(Base: July 1 1952 = 100)

REUTERS

June 27	June 26	M'th ago	Year ago
1756.4	1760.7	1830.2	1916.3

(Base: September 18 1931 = 100)

MOODY'S

May 14	May 13	M'th ago	Year ago
921.9	923.9	—	—

(Base: December 31 1931 = 100)

DOW JONES

Dow Jones	June 26	June 25	Month ago	Year ago
Spot	118.63	118.62	—	135.55
Fut.	118.29	118.70	—	133.97

(Base: December 31 1974 = 100)

GOLD

Gold fell $¼ an ounce from Wednesday's close in the London bullion market yesterday to finish at $316¾-317¼. The metal opened at $316¼-316¾ and traded between a high of $317¼-317¾ and a low of $314¾-315¼. Trading was extremely quiet, and with the dollar showing little overall change, gold found little incentive to move outside its recent trading range.

GOLD BULLION (fine ounce) June 27

Close	$316¾-317¼	(£245-245½)
Opening	$316¼-316¾	(£243½-244)
M'ni'g fix	$316.25	(£243.832)
Aft'n'n fix	$316.00	(£243.808)

GOLD AND PLATINUM COINS

Kr'g'r'nd	$326-326¾	(£251½-252¼)
½ Krug.	$168-168¾	(£130-130½)
¼ Krug.	$85½-86¼	(£66¼-66¾)
1/10 Krug.	$34¾-35½	(£27-27½)
Mapleleaf	$327-327¾	(£253-253¾)
New Sov.	$75-76¼	(£58-59)
½ New Sov	$45-45¾	(£34¾-35½)
Old Sov.	$76½-78	(£59¼-60½)
$20 Eagle	$450-490	(£348¼-379¼)
Noble Plat	$275-278¼	(£212-214½)

SILVER

Silver was fixed 2.55p an ounce lower for spot delivery in the London bullion market yesterday at 472.8p. U.S. cent equivalents of the fixing levels were: spot 613c, up 1c; three-month 624c, up 0.65c; six-month 636.6c, up 0.5c; and 12-month 663.8c, up 0.3c. The metal opened at 472-475p (613-616c) and closed at 615-618p (476-479c).

SILVER per troy	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	472.80p	-2.55	475.75p	-1
3 months	486.65p	-2.80	490.5p	-8.25
6 months	500.60p	-2.65	—	—
12 months	527.95p	-3.05	—	—

LME—Turnover: 45 (270) lots of 10,000 oz.

Cash high/low 472; three months high 489, low 488, final kerb 488-90.

FREIGHT FUTURES

The market opened virtually unchanged today but there was an increase in activity by midday. The afternoon saw levels come under pressure, albeit in good two-way trading and closing quotations were near the day's lows, reports Clarkson Wolff. The Baltic Freight Index was 883.5, down 6.5

	Close	High/Low	Prev.
July	862/865	870/862	867-868
Oct.	881/882	890/878	888/891
Jan.	880/881	890/879	888-890
April	918/920	918/915	916-922
July	890/900	—	895/897
Oct.	950/980	—	910-950
Jan.	930/1000	—	940-1000
April	980/1049	—	1000/1050

Turnover: 174 (47).

GRAINS

July wheat remained very dull all day at 50p up. New crops rose on profit-taking with shipper buying rallying nearby barley, reports Muirpace.

Mnth	WHEAT Yesterd'ys close	+ or —	BARLEY Yesterdys close	+ or —
July	115.50	+0.50	—	—
Sept.	98.00	+0.35	97.15	+0.45
Nov	101.30	+0.25	100.80	+0.30
Jan	105.10	+0.40	104.80	+0.30
Mar	108.20	+3.25	107.20	+0.20
May	111.40	+0.25	108.95	+0.20

Business done—Wheat: July 115.50 only, Sept untraded, Nov 101.35-1.30, Jan 105.10-4.75, March 108.20-8.05, May 111.40 only. Sales: 62 lots of 100 tonnes. Barley: Sept 97.15-7.00, Nov 100.80-0.50, Jan untraded, March 107.00 only, May 109.75 only. Sales: 61 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No. 1 15 per cent July 138.65, Aug 136.25, Sept 136.50, Oct 138.95 sellers transhipment East Coast. U.S. No. 2 Soft Red Winter July 123, Aug 124.75, Sept 127.25, Oct 128.00 sellers. EC July 114 seller. English Feed fob June-July 118.50, Aug-Sept 98.99, Sept 99.50, Oct-Dec 103, Jan-March 109.50 sellers East Coast. Maize: U.S. No. 3 Yellow/French transhipment East Coast July 145 sellers. Barley: English Feed fob July-Aug 97.50, Sept 99.50 sellers East Coast. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed barley: N. West 110.10. The UK monetary coefficient for the week beginning Monday, July 1, will change to 0.964.

RUBBER

The London physical market opened unchanged, attracted little interest throughout the day and closed quiet, reports Lewis and Peat. Closing prices (buyers): spot 66.00p (same); July 67.00p (66.75p); Aug 67.00p (66.75). The Kuala Lumpur fob price for Rss No. 1 was 203.0 (201.5) cents a kg and for SMR 20 was 171.0 (same).

COFFEE

In fairly active conditions commission house buying encouraged a recovery from the recent lows, reports DBL. Prices remained steady around £10 higher throughout the afternoon and as sterling dipped slightly and New York advanced further gains were established.

COFFEE	Yesterd'ys Close	+ or —	Business Done
July	1942-45	+18.0	1952-1928
Sept.	1995-99	-19.5	2005-1978
Nov.	2041-42	+24.5	2051-2019
Jan.	2076-10	+16.5	2085-2006
March	2075-78	+19.0	2085-2062
May	2092-95	+16.0	2100-2090
July	2090-2100	-7.5	2105

Sales: 3,282 (3,324) lots of 5 tonnes.

ICO indicator prices (U.S. cents per pound) for June 26. Comp. daily 1979 128.19 (128.39); 15-day average 131.32 (131.50).

COCOA

Futures steadied on the near position but otherwise traded through a fairly active day to close unchanged. Consumers were generally withdrawn but light producer offerings was noted, reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or —	Business Done
July	1737-1739	+13.5	1750-1725
Sept.	1707-1709	+2.0	1717-1698
Dec.	1676-1678	-0.5	1684-1672
Mar.	1684-1686	-1.5	1691-1681
May	1699-1701	+1.5	1702-169
July	1713-1716	-1.0	1714-1710
Sept.	1718-1730	—	1720

Sales: 3,859 (4,274) lots of 10 tonnes.

ICCO indicator prices (U.S. cents per pound). Daily price for June 27: 93.62 (94.13): five-day average for June 28: 93.54 (93.84).

SUGAR

LONDON DAILY PRICE—Raw sugar $87.00 (£67.00), up $1.00 (unchanged) a tonne for June-July-August delivery. White sugar $132.00, up $4.50.

Prices rose over the day in moderate trading conditions, reports C. Czarnikow.

No. 6 Contract	Yest'day's close $ per tonne	Previous close	Business done
Aug	88.0-88.8	86.4-88.8	88.6-87.8
Oct	90.2-90.4	88.4-88.6	90.8-89.2
Dec	94.6-95.4	93.4-95.8	95.6-94.4
Mar	105.0-105.2	103.8-104.0	106.8-104.5
May	109.0-109.6	108.4-108.6	—
Aug	115.2-115.4	113.8-114.6	116.4-115.8
Oct	118.2-120.0	117.6-119.8	119.8-118.4

Sales: 1,893 (2,697) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £188.00 (same) a tonne for export.

International Sugar Agreement (U.S. cents per pound fob and stowed Caribbean ports). Prices for June 26: Daily price 2.76 (2.74): 15-day average 2.78 (same).

SOYABEAN MEAL

The market opened 50p easier in mixed trade, reports T. G. Roddick. Prices drifted lower on lack of any fresh news.

	Yesterday close £ per tonne	+ or —	Business Done
August	118.9-119.0	-1.80	—
October	116.5-116.8	-1.85	117.0-116.5
Dec	120.7-121.0	-1.15	121.2-120.5
Feb	126.0-126.5	-1.65	126.3
Apr	127.5-127.9	-1.50	127.5
June	127.5-128.5	-1.10	—
August	128.5-131.5	-0.75	—

Sales: 2,170 (177) lots of 20 tonnes.

OIL

Demand for prompt and forward Brent pushed up prices. By 1 pm EST Nymex was trading 18 cents up for August delivery. In the petroleum products market gas oil prices remained stable in quiet and directionless conditions. Heavy fuel prices firmed on prompt demand into Benelux and the UK. Strong demand for straight-run fuels from North-West European refiners pushed up prices for all grades —Petroleum Argus, London.

SPOT PRICES

CRUDE OIL—FOB ($ per barrel)—July	Latest	Change + or —
Arab Light	27.10-27.20	—
Arab Heavy	24.90-25.05	—
Dubai	25.90-26.08	+0.05
Brent Blend	26.65-26.75	+0.225
W.T.I. (1pm est)	27.80-27.85*	+0.175
Forcados (Nigeria)	26.55-26.50	+0.075
Urals (cif NME)	25.50-25.60	+0.075

PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	281-283	—
Gas Oil	218-219	—
Heavy fuel oil	127-129	+1
Naphtha	256-258	—

*August

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's Close $ U.S. per tonne	+ or —	Business Done
July	214.50	-0.50	215.75-14.50
Aug	212.75	—	215.75-12.75
Sep	212.75	—	214.25-12.75
Oct	214.75	+0.75	214.75
Nov	216.75	+0.75	216.75
Dec	218.00	-0.75	—
Jan	218.00	-0.50	—

Turnover: 351 (433) lots of 100 tonnes.

POTATOES

The market was quiet, consolidating around recent support levels of £78-£79, basis April, awaiting fresh news and direction, reports Coley and Harper.

Month	Yesterday's close £ per tonne	Previous close	Business Done
Nov	60.30	59.00	60.50
Feb	69.00	68.30	—
Apr	79.40	78.30	79.80-78.90
May	84.00	83.50	85.00-84.20

Sales: 209 (190) lots of 40 tonnes.

PIGMEAT

Early selling pressure met trade support in thin volume, reports CCST Commodities.

Month	Yesterdays close p. per kilo (deadweight)	Previous close	Business done
Aug.	103.00	103.10	105.00-102.40
Oct.	106.60	107.00	107.00-106.10
Nov.	106.60	107.20	106.70-106.50
Feb.	99.00	98.40	99.10
April	99.40	99.80	9.50
June	100.00	99.30	—

Sales: 19 (119) lots of 50 carcases, 3,250 kg.

MEAT

MEAT COMMISSION — Average fatstock prices at representative markers. GB—Cattle 98.41p per kg lw (−2.99). GB—Sheep 150.55p per kg est dcw (−19.07). GB—Pigs 83.75p per kg lw (−7.26).

SMITHFIELD (Pence per pound)—Beef: Scotch killed sides 77.0 to 81.0: English forequarters 52.0 to 56.0: Ulster hindquarters 85.0 to 90.0. Veal: Dutch hinds and ends 138.0 to 142.0. Lamb: English small 68.0 to 74.0, medium 68.0 to 72.0, heavy 64.0 to 66.0: Imported: New Zealand PL 65.0 to 66.5, PX 65.0 to 66.0. Pork: English under 100 lb 50.0 to 58.5, 100-120 lb 52.5 to 57.0, 120-160 lb 48.0 to 54.0.

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order, buyer, seller, business). Australian cents per kg. July 629.0, 624.0, 625.0-621.0; Oct 615.0, 620.0, 620.0-619.0; Dec 618.0, 626.0, 620.0-618.0; March 627.0, 631.0, nil; May 630.0, 636.0, nil; July 635.0, 640.0, nil; Oct 618.0, 635.0, nil; Dec 620.0, 645.0, nil. Sales: 20.

U.S. MARKETS

PRECIOUS METALS showed a steady tone reflecting a general lack of interest and evening-up ahead of U.S. leading indicators and money supply figures, reports Heinold Commodities. Copper continued under pressure on long liquidation ahead of first notice day today. Sugar firmed on reports of Chinese purchases. Coffee benefited from fears of a quota cut and cooler weather moving into Brazil. Cocoa showed little change with buying restrained by indications of overhead producer offers just above the market. Cotton lost ground on the issue of additional delivery notices in July. Heating oil advanced moderately as traders continued to hedge their short crude oil positions with offsetting purchases in heating oil or gasoline. Maize and wheat markets were mixed on liquidation of bull spreads ahead of July deliveries. The soyabean complex came under pressure as weather concerns were alleviated and lower currencies triggered local and professional selling.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
July	43.20	43.75	43.15	43.50
August	43.55	—	—	43.85
Sept	43.90	44.45	43.90	44.20
Dec	44.95	45.00	44.90	45.25
Jan	45.30	—	—	45.60
March	46.00	46.50	46.50	46.30
May	46.70	—	—	47.00
July	47.40	—	—	47.70
Sept	48.10	—	—	48.40
Jan	49.50	—	—	49.80

COCOA 10 tonnes, $/tonnes

	Latest	High	Low	Prev
July	1985	2010	1981	1981
Sept	1999	2006	1993	1993
Dec	1974	1981	1968	1975
March	1983	1993	1982	1985
May	—	2000	2000	2000
July	2020	2025	2020	2023

COFFEE "C" 37,000 lb, cents/lb

	Close	High	Low	Prev
July	141.93	142.25	141.30	141.06
Sept	144.13	144.90	143.85	143.08
Dec	145.59	146.00	145.36	144.50
March	145.28	145.50	145.01	144.60
May	144.65	144.85	144.50	144.23
July	144.30	144.30	143.80	143.61

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
July	57.95	58.65	57.90	58.65
August	58.50	58.70	58.70	59.10
Sept	59.00	59.70	58.90	59.55
Dec	60.15	60.80	60.10	60.65
Jan	60.50	60.95	60.90	60.95
March	61.15	61.70	61.20	61.60
May	61.65	62.40	61.85	62.06
July	62.15	62.50	62.25	62.55
Sept	62.75	63.20	63.00	63.15
Dec	63.45	63.75	63.75	63.85

COTTON 50,000 lb, cents/lb

July	61.01	61.85	60.80	61.90
Oct	61.47	61.92	61.25	61.65
Dec	61.47	61.98	61.25	61.73
March	62.46	62.78	62.30	62.60
May	62.82	62.85	62.60	62.97
July	62.80	63.05	62.70	63.05
Oct	59.07	—	—	59.30
Dec	58.45	58.50	58.50	58.65

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

	Latest	High	Low	Prev
August	27.10	27.14	26.93	26.94
Sept	26.59	26.61	26.38	26.39
Oct	26.20	26.24	26.00	25.98
Nov	25.95	25.95	25.75	25.75
Dec	25.72	25.72	25.56	25.55
Jan	25.45	25.45	25.22	25.33
Feb	25.27	25.27	25.10	25.17
March	25.16	25.16	25.16	25.01

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
July	316.9	317.2	317.0	316.0
August	319.0	320.1	318.7	317.8
Oct	322.7	323.3	320.6	321.5
Dec	326.7	327.7	324.0	325.5
Feb	330.9	331.5	328.5	329.7
April	335.2	—	—	334.0
June	339.9	—	—	338.7
August	344.6	344.1	344.1	343.5
Oct	349.5	—	—	348.5
Dec	354.4	—	—	353.5
Feb	359.7	—	—	358.8
April	365.2	—	—	364.3

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Latest	High	Low	Prev
July	69.10	69.35	68.70	69.06
August	68.65	68.95	68.20	68.57
Sept	69.35	69.45	68.80	68.98
Oct	70.10	70.30	69.70	69.68
Nov	71.00	71.15	70.45	70.30
Dec	71.70	71.80	71.30	71.10
Jan	72.10	72.25	71.90	71.50

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
July	140.45	141.50	140.00	140.70
Sept	137.60	138.80	137.10	138.00
Nov	135.60	136.00	135.20	135.70
Jan	134.00	134.45	134.00	134.45
March	134.10	—	—	134.45
May	134.10	—	—	134.45
July	134.10	—	—	134.45
Sept	134.10	—	—	134.45
Nov	134.10	—	—	134.45

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
July	264.4	266.5	263.0	265.5
Oct	268.2	270.0	266.5	269.3
Jan	273.2	275.0	272.2	274.3
April	278.3	279.5	278.5	279.4
July	284.2	—	—	285.3

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
July	613.6	619.5	609.0	614.0
August	617.3	—	—	617.7
Sept	622.0	629.0	618.0	622.5
Dec	634.2	639.5	630.5	634.9
Jan	638.8	—	—	639.5
March	647.2	652.0	647.0	647.9
May	656.2	660.0	656.0	656.9
July	665.8	670.5	667.0	666.5
Sept	676.1	675.0	675.0	676.8
Dec	691.8	693.5	693.0	692.5

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
July	2.67	2.74	2.64	2.69
Sept	2.86	2.89	2.83	2.81
Oct	2.94	2.97	2.90	2.87
Jan	3.20	3.21	3.20	3.17
March	3.59	3.64	3.56	3.53
May	3.80	3.85	3.78	3.75
July	3.98	4.03	3.97	3.95
Sept	4.10	—	—	3.98
Oct	4.29	4.32	4.24	4.21

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
August	57.92	58.25	57.17	57.77
Oct	58.87	59.10	58.22	58.87
Dec	60.50	60.90	60.15	60.80
Feb	61.40	61.60	60.95	61.70
April	62.50	62.85	62.25	62.90
June	63.35	63.50	63.00	63.65

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
July	49.85	50.40	49.60	50.25
August	48.30	48.60	48.00	48.25
Oct	44.45	44.80	43.95	44.45
Dec	46.45	46.85	46.05	46.65
Feb	48.20	48.70	48.05	48.66
April	45.30	45.50	45.10	45.45
June	47.85	47.85	47.40	47.70
July	48.55	48.85	47.80	48.80
August	47.95	47.95	47.85	47.90

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	High	Low	Prev
July	272.2	273.4	272.0	273.4
Sept	256.6	257.4	256.0	257.0
Dec	251.6	253.2	250.6	251.6
March	260.6	262.2	260.0	261.0
May	263.6	265.0	263.0	265.0
July	263.0	264.4	262.2	264.6
Sept	247.6	249.2	247.4	249.0

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
July	60.55	61.40	59.50	61.05
August	61.10	61.85	60.10	61.25
Feb	69.30	70.30	68.90	70.37
March	69.30	70.10	68.50	70.40
May	70.30	71.00	69.70	71.70
July	71.00	71.00	69.95	71.50
August	69.55	69.55	69.50	70.60

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
July	564.6	568.2	563.6	569.2
August	562.2	566.0	562.0	566.2
Sept	557.2	561.0	556.0	561.0
Nov	560.4	564.4	559.4	565.0
Jan	570.4	574.0	570.0	574.4
March	581.2	584.4	580.0	584.4
May	590.0	592.0	589.0	593.0
July	595.0	598.4	594.0	598.5

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
July	118.8	119.5	118.0	120.3
August	121.5	122.5	121.1	123.0
Sept	124.3	125.2	124.1	125.5
Oct	126.8	128.0	126.7	128.5
Dec	132.1	133.2	132.0	133.9
Jan	134.9	135.8	134.7	136.5
March	139.5	141.0	139.5	140.0
May	144.3	145.0	144.0	145.0
July	148.5	148.5	148.0	149.5

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
July	30.22	30.45	30.15	30.27
August	29.04	29.25	28.95	29.12
Sept	28.10	28.20	27.95	28.08
Oct	27.20	27.30	27.01	27.15
Dec	26.28	26.40	26.10	26.23
Jan	25.82	26.05	25.65	25.70
March	25.46	25.66	25.45	25.55
May	25.20	25.20	25.10	25.12
July	24.71	24.80	24.71	24.61
August	24.46	—	—	24.44

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
July	320.2	323.2	320.0	321.4
Sept	323.2	326.2	323.0	324.0
Dec	329.2	331.4	328.2	329.2
March	328.6	330.2	327.6	328.6
May	316.4	319.0	316.4	317.4
July	301.4	302.4	300.4	302.4

SPOT PRICES—Chicago loose lard 19.50 (same) cents per pound. New York tin 568.0-75.0 (unquoted) cents per pound. Handy and Harman silver bullion 614.0 (617.0) cents per troy ounce.

OTHER MARKETS

ROTTERDAM

WHEAT—(U.S. $ per tonne) U.S. No. 2 Soft Red Winter: Afloat 139, July 141.50, Aug 143, Sept 148, Oct 146.50 sellers. U.S. No. 2 Northern Spring, 14 per cent protein: Spot 175, July 162.50, Aug 159.50, Sept 158, Oct 164, Nov 166, Dec 168, sellers. U.S. Northern Spring 15 per cent protein: July 173.50, Aug 170.50, Sept 169, Oct 175, Nov 177, Dec 179, sellers. U.S. No. 3 Hard Amber Durum: July 168, Aug 164, Sept 159, Oct 166, Nov 170, sellers. Canadian No 1 Western Amber Durum: Spot 177, July 177, July/Aug 177.50, Aug 176, Aug/Sept 176.50, Sept 171, sellers.

MAIZE—(U.S. $ per tonne) (U.S. No. 3 Yellow: Afloat 127, June 127.50, July 128.25, Aug 126.75, Sept 123, Oct/Dec 121.50, Jan/March 125, sellers. Argentone, Plate: Afloat 130, June 132, July

PARIS

SUGAR—(FFr per tonne): Aug 1215/1225, Oct 1210/1215, Dec 1225/1235, March 1263/1265, May 1300/1310, Aug 1350/1365

COCOA—(FFr per 100 kg): July 1950/2050, Sept 2002/2008, Dec 1966/1975, March 1986/1996, May 1990 bid, July 1995 bid, Sept 2000 bid

COTTON

LIVERPOOL—Spot and shipment sales amounted to 52 tonnes. Restricted operations involved few fresh dealings. Interest was displayed in East and West African supplies.

More lines urged for railways

LOCAL AUTHORITIES should help bring back rail lines closed in the Beeching era, the Central Transport Consultative Council says.

It says more than 100 towns with population of more than 15,000 which did not have a railway station could be helped by partnerships between British Rail and local authorities to open stations or improve bus links to them.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar rises in thin trading

The dollar finished above Wednesday's closing levels yesterday but was some way below the day's highs. Trading was very thin ahead of the end of the month, quarter and half-year. The U.S. unit improved during the morning but retreated in the afternoon amid persistent rumours that a major U.S. bank was experiencing financial difficulties.

Today's U.S. leading economic indicators are likely to be greeted by a market bereft of participants and could therefore move rates quite sharply in the thin trading conditions.

The dollar closed at DM 3.0590 up from DM 3.0430 on Wednesday but down from a high of DM 3.0660. Against the yen it finished at Y248.95 from Y248.40 and SwFr 2.5640 from SwFr 2.5325. Against the French franc it rose to FFr 9.3175 from FFr 9.2725. On Bank of England figures, the dollar's exchange rate index rose from 144.3 to 144.6.

STERLING — Trading range against the dollar in 1985 is 1.3070 to 1.0525. May average 1.2517. Exchange rate index 80.6 against an opening rate of 80.7 and Tuesday's close of 80.6. The six months ago figure was 73.3.

Sterling showed little overall change at the close, having risen against most European currencies earlier in the day, keeping pace with an initially stronger dollar. News of a £224m trade surplus and a current account surplus of £724m came as a pleasant surprise to the market and served to underpin sterling, the latter already benefiting from the relatively high level of UK interest rates and the diminishing prospect of an early cut in clearing bank base rates. Much depends now on next week's meeting of Opec ministers.

The pound closed at $1.2920-1.2930, a fall of 60 points, having touched a best level of $1.2985. It was unchanged against the D-mark at DM 3.9550 but finished stronger against the Swiss franc at SwFr 3.3125 from SwFr 3.2950. Against the yen it closed slightly lower at Y322 from Y322¼ and FFr 12.04 compared with FFr 12.05.

D-MARK — Trading range against the dollar in 1985 is 3.4510 to 2.9730. May average 3.1024. Exchange rate index 121.9 against 120.0 six months ago.

The dollar closed at DM 3.0530 in Frankfurt, after an earlier fixing level of DM 3.0618, in thin and erratic trading. The U.S. unit remained within its recent trading range however in the absence of any clear trend. Today's U.S. leading economic indicators may provide some clue to the performance of the U.S. economy but trading is likely to be thin ahead of the month end.

STERLING INDEX

	June 27	Previous
8.30 am	80.7	80.2
9.00 am	80.6	80.3
10.00 am	80.7	80.4
11.00 am	80.7	80.3
Noon	80.7	80.3
1.00 pm	80.8	80.3
2.00 pm	80.7	80.5
3.00 pm	80.6	80.5
4.00 pm	80.6	80.6

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 27	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian franc	44.9008	45.2636	+0.81	+0.96	±1.5471
Danish krone	8.14104	8.06478	−0.94	−0.79	±1.6419
German D-mark	2.24184	2.24827	+0.29	+0.44	±1.1475
French franc	6.87456	6.85009	−0.36	−0.21	±1.3689
Dutch guilder	2.52595	2.53428	+0.33	+0.48	±1.5171
Irish punt	0.72569	0.717168	−1.17	−1.02	±1.6673
Italian lira	1403.49	1436.17	+2.26	+2.26	±4.0410

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

	June 27	Prev. close
£ Spot	$1.2940-1.2950	$1.2955-2965
1 month	0.57-0.54 pm	0.57-0.55 pm
3 months	1.49-1.45 pm	1.46-1.43 pm
12 months	4.02-3.90 pm	3.90-3.80 pm

Forward premiums and discounts apply to the U.S. dollar

POUND SPOT—FORWARD AGAINST POUND

June 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.2895-1.2985	1.2920-1.2930	0.57-0.54c pm	5.15	1.50-1.45pm	4.56
Canada	1.7610-1.7690	1.7615-1.7645	0.54-0.46c pm	3.37	1.33-1.19pm	2.86
Nethlnd.	4.44¼-4.47¼	4.45¼-4.46¼	2⅛-2⅛c pm	6.06	6⅛-6⅛pm	5.61
Belgium	79.29-79.87	79.55-79.65	32-26c pm	5.13	81-72pm	3.84
Denmark	14.12¾-14.22¾	14.15½-14.16½	3⅛-2⅛ore pm	2.44	9⅛-8⅛pm	2.49
Ireland	1.2570-1.2660	1.2575-1.2585	0.25-0.09p pm	1.62	0.49-0.24pm	1.16
W. Ger.	3.94¼-3.96¼	3.95-3.96	2½-2¼pf pm	7.40	6⅞-6⅛pm	6.83
Portugal	224¾-229	224½-228¾	225-555c dis	−20.86	575-1545dis	−18.72
Spain	236½-238⅛	235½-236	45-70c dis	−2.93	180-225dis	−3.44
Italy	2,513-2,531	2,519½-2,520½	par-3 lire dis	−0.71	5-11dis	−1.27
Norway	11.36⅛-11.40½	11.37-11.38	⅛ore pm-⅛ dis	−0.13	⅛-1⅛dis	−0.31
France	12.00½-12.08	12.03½-12.04½	2⅛-2⅛c pm	2.49	5⅛-4⅛pm	1.74
Sweden	11.38-11.40¼	11.37¾-11.38¾	3¾-4⅛ore dis	−4.41	11½-12⅛dis	−4.20
Japan	321¼-322¾	321½-322½	1.80-1.70y pm	6.52	4.90-4.80pm	6.02
Austria	27.70-27.85	27.74-27.78	15-13¾gro pm	6.21	40⅛-38¼pm	5.50
Switz.	3.29¾-3.32	3.30¾-3.31¾	2⅛-2⅛c pm	7.92	6-5⅛pm	7.09

Belgian rate is for convertible francs. Financial franc 80.00-80.10. Six-month forward dollar 2.58-2.53c pm, 12-month 4.05-3.90c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

June 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.2895-1.2985	1.2920-1.2930	0.57-0.54c pm	5.15	1.50-1.45pm	4.56
Ireland†	1.0220-1.0300	1.0247-1.0256	0.35-0.25c pm	3.51	0.95-0.80pm	3.41
Canada	1.3622-1.3639	1.3632-1.3638	0.19-0.22c dis	−8.77	0.56-0.61dis	−6.44
Nethlnd.	3.4215-3.4550	3.4465-3.4475	0.26-0.23c pm	0.85	0.93-0.90pm	1.06
Belgium	61.24-61.88	61.55-61.65	5½-6½c dis	−1.17	16-18½dis	−1.12
Denmark	10.91¼-10.99¼	10.96¾-10.97¼	2-2½ore dis	−2.47	4½-5dis	−1.73
W. Ger.	3.0407-3.0680	3.0585-3.0595	0.60-0.55pf pm	2.26	1.76-1.71pm	2.27
Portugal	174½-176¼	174¾-176¼	250-500c dis	−25.64	650-1400dis	−23.38
Spain	174.00-175.20	174.65-174.80	105-120c dis	−7.72	335-370dis	−8.07
Italy	1,942½-1,954	1,949-1,950	9½-10 lire dis	−5.98	29-29½dis	−6.02
Norway	8.77-8.82	8.79¼-8.79¾	3½-4ore dis	−5.11	10½-11dis	−4.88
France	9.28½-9.33¼	9.31½-9.32	2.10-2.20c dis	−2.77	6.50-6.80dis	−2.86
Sweden	8.78-8.81½	8.80-8.80½	6¼-6¾ore dis	−8.86	18½-19dis	−8.52
Japan	248.20-249.00	248.90-249.00	0.33-0.29y pm	1.50	0.98-0.93pm	1.54
Austria	21.38-21.54	21.49-21.51	2⅛-1⅛gro pm	1.12	6⅛-4⅛pm	1.03
Switz.	2.5420-2.5660	2.5635-2.5645	0.57-0.51c pm	2.54	1.65-1.59pm	2.54

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 61.90-62.00.

OTHER CURRENCIES

June 27	£	$		£ Note Rates
Argentina Austl.	1.02-1.05	0.79-0.81	Austria	27.65-27.95
Australia Dollar.	1.9380-1.9420	1.5000-1.5020	Belgium	79.60-80.40
Brazil Cruzeiro	7,666-7,699	5,920-5,940	Denmark	14.12-14.26
Finland Markka	8.1975-8.2170	6.3480-6.3500	France	12.00-12.12
Greek Drachma	174.04-177.83	134.24-137.05	Germany	3.93¼-3.97¼
HongKong Dollar	10.0150-10.0815	7.7610-7.7630	Italy	2500-2545
Iran Rial	120.80*	92.90*	Japan	322-326
KuwaitDinar(KD)	0.3915-0.3925	0.30300-0.30315	Netherlands	4.44-4.48
Luxembourg Fr	79.55-79.65	61.55-61.65	Norway	11.31-11.43
Malaysia Dollar	3.2090-3.2130	2.4870-2.4890	Portugal	219-235
New Zealand Dlr.	2.7265-2.7345	2.1065-2.1110	Spain	218-227
Saudi Arab. Riyal	4.7255-4.7275	3.6505-3.6510	Sweden	11.34-11.45
Singapore Dollar	2.8870-2.8920	2.2380-2.2400	Switzerland	3.29½-3.33½
Sth African Rand	2.5410-2.5525	1.9685-1.9725	United States	1.28¾-1.30¼
U.A.E. Dirham	4.7490-4.7565	3.6720-3.6730	Yugoslavia	355-380

* Selling rate.

CURRENCY MOVEMENTS

June 27	Bank of England Index	Morgan Guaranty Change %
Sterling	80.6	N/A
U.S. dollar	144.6	"
Canadian dollar	87.9	"
Austrian schilling	112.3	"
Belgian franc	89.4	"
Danish Kroner	77.6	"
Deutsche mark	121.9	"
Swiss franc	140.3	"
Guilder	112.5	"
French franc	65.0	"
Lira	45.4	"
Yen	155.5	"

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

June 27	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.771356	0.568166
U.S. $	7½	0.997981	0.756173
Canadian $	9.57	*	1.00377
Austria Sch.	4½	21.4405	15.8130
Belgian Fr.	9¼	61.4956	45.2636
Danish Kr.	7	10.9229	8.06478
Dmark	4½	3.05568	2.24827
Guilder	5½	3.44303	2.53428
French Fr.	9½	N/A	6.85009
Lira	15½	1949.21	1436.17
Yen	5	248.098	183.049
Norway Kr.	8	8.76477	6.46250
Span'h Pta.	—	174.445	128.546
Swedish Kr.	11.5	N/A	6.47943
Swiss Fr.	4	2.55783	1.88107
Greek Dr'ch	20½	135.710	99.9429
Irish Punt	13¾	N/A	0.71768

* C$/SDR rate for June 25: 1.36132.

EXCHANGE CROSS RATES

June 27	Pound St'rling	U.S. Dollar	Deutschem'k	J'panese Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.293	3.955	322.0	12.04	3.313	4.458	2520.	1.758	79.60
U.S. Dollar	0.774	1.	3.059	249.0	9.318	2.564	3.447	1950.	1.364	61.60
Deutschemark	0.253	0.327	1.	81.42	3.044	0.838	1.127	637.2	0.446	20.13
Japanese Yen 1,000	3.106	4.014	12.28	1000.	37.39	10.29	13.84	7826.	5.475	247.2
French Franc 10	0.831	1.074	3.285	267.4	10.	2.751	3.702	2093.	1.464	66.11
Swiss Franc	0.302	0.390	1.194	97.21	3.636	1.	1.346	760.8	0.532	24.03
Dutch Guilder	0.224	0.290	0.887	72.24	2.701	0.743	1.	565.3	0.396	17.86
Italian Lira 1000	0.397	0.513	1.569	127.8	4.778	1.314	1.769	1000.	0.700	31.59
Canadian Dollar	0.567	0.733	2.243	182.6	6.829	1.879	2.528	1429.	1.	45.15
Belgian Franc 100	1.256	1.624	4.969	404.5	15.13	4.161	5.600	3166.	2.215	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

June 27	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short-term	12¾-13	7⅛-7½	8⅞-9⅛	6¾-7	36-38	5⅛-5⅛	10⅛-10½	7-9	7⅞-8⅛	8⅝-8⅞	6-6⅛	10-10½
7 days' notice	12⅞-13⅛	7⅝-7¾	9⅝-9⅞	6⅛-6½	2½-2¾	5⅛-5⅛	10⅛-10¼	13-14	8¾-9	8⅝-8⅞	6⅝-6⅛	10-10½
Month	12⅞-12¾	7⅞-7⅞	9⅛-9⅜	6¾-6⅞	5⅛-5⅛	5⅛-5⅛	10¼-10⅜	13¼-13¾	8⅝-8⅞	8⅝-8⅞	6⅛-6⅛	10-10½
Three months	12⅞-12⅞	7⅞-7⅞	9⅜-9⅝	6⅝-6¾	5⅛-5¼	5⅛-5⅛	10⅛-10⅝	13⅝-14	8⅝-8⅞	8⅝-8⅞	6¼-6⅜	9¾-10¼
Six months	12¼-12⅞	8-8⅛	9⅛-9⅞	6⅛-6⅛	5¼-5⅝	5½-5⅝	10⅞-10⅞	13¾-14⅛	8⅞-9⅛	8¾-9	6¼-6⅜	9½-10
One year	11⅞-12⅛	8⅛-8⅛	9¾-10	6⅛-6⅛	5⅛-5⅛	5⅝-5¾	11⅝-11⅝	14¼-14¾	9¼-9⅝	9⅛-9⅝	6⅛-6⅛	9½-10

Asian $ (closing rate in Singapore). Short-term 7⅛-7⅛ per cent; seven days 7⅛-7⅛ per cent; one month 7⅛-7⅛ per cent; three months 7⅛-7⅛ per cent; six month 8⅛-8⅛ per cent. one year 8½-8⅝ per cent. Long-term Eurodollars: two years 9¼-9½ per cent; three years 9⅝-9⅞ per cent; four years 10-10¼ per cent; five years 10¼-10½ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

FINANCIAL FUTURES

Options open

Option trading began on the London International Financial Futures Exchange yesterday. This produced a lively start and in a burst of enthusiasm used up much of the early energy in the market. Dealers noted that the September contract in the pound was particularly active.

The new form of trading initially detracted from the interest shown in futures, but it soon became evident that U.S. Treasury bonds had made a very encouraging start. September delivery was expected to open lower, but after a strong rise in the cash bond in Tokyo the price opened firmer at 75-28. This was still nearly the lowest level of the day and the market soon began to move further ahead, to close at the day's peak of 76-10 compared with 75-24 previously.

Traders were pleased to see Federal funds remaining under 7½ per cent in New York, and were also hopeful that last night's weekly U.S. money supply figure would be good. The 20-year bond auction was also expected to go well, after the success of the four- and seven-year note auctions, while the sharp rise in durable goods orders announced earlier this week has now been dismissed as an aberration caused by large defence contracts.

Eurodollar futures tended to follow bonds, finishing near the day's hight, while sterling denominated contracts remained dull as any hopes of lower UK interest rates have been put back by the recent comments by the Chancellor of the Exchequer, and on nervousness about next month's Opec meeting and the UK money supply figures.

LONDON

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev
Sept	91.89	91.91	91.84	91.66
Dec	91.41	91.43	91.37	91.19
March	90.99	90.99	90.95	90.78
June	90.63	90.60	90.58	90.43
Sept	90.33	—	—	90.14

Estimated volume 4,755 (7,081)
Previous day's open int 17,648 (17,412)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev
Sept	88.24	88.40	88.23	88.32
Dec	88.71	88.77	88.72	88.74
March	88.77	88.86	88.77	88.79
June	88.89	—	—	88.86
Sept	88.95	—	—	88.92

Estimated volume 1,523 (1,859)
Previous day's open int 6,157 (6,141)

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev
Sept	110-08	110-15	111-21	110-11
Dec	110-23	—	—	110-26
March	110-31	—	—	111-02

Estimated volume 1,121 (1,234)
Previous day's open int 2,926 (2,765)
Basis quote (clean cash price of 13¾% Treasury 2003 less equivalent price of near futures contract) −25 to −15 (32nds).

STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept	1.2830	1.2870	1.2800	1.2720
Dec	1.2710	1.2736	1.2736	1.2610
March	1.2625	1.2635	1.2627	1.2540

Estimated volume 197 (473)
Previous day's open int 4,351 (4,346)

DEUTSCHE MARKS
DM 125,000 $ per DM

	Close	High	Low	Prev
Sept	0.3293	0.3300	0.3279	0.3272
Dec	0.3316	—	—	0.3298

Estimated volume 200 (473)
Previous day's open int 252 (269)

SWISS FRANCS
SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
Sept	0.3932	0.3949	0.3949	0.3902

Estimated volume 2 (nil)
Previous day's open int 182 (182)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
Sept	0.4031	0.4036	0.4036	0.4030

Estimated volume 2 (200)
Previous day's open int 266 (165)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev
June	123.15	124.60	122.80	124.90
Sept	124.80	125.60	123.75	125.65

Estimated volume 768 (373)
Previous day's open int 1,990 (1,992)

U.S. TREASURY BONDS
8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	76-10	76-10	75-27	75-24
Dec	75-10	—	—	74-25
March	74-10	—	—	73-26

Estimated volume 3,792 (2,664)
Previous day's open int 2,063 (2,027)

CHICAGO

U.S. TREASURY BONDS (CBT)
8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Sept	76-04	76-07	75-28	75-16
Dec	75-04	75-10	74-29	74-16
March	74-06	74-08	73-31	73-18
June	—	—	—	69-20
Sept	72-10	72-17	72-09	71-27
Dec	—	—	—	71-02
March	70-26	70-29	70-26	70-10
June	69-19	69-31	69-19	69-20
Sept	—	—	—	—
Dec	—	—	—	68-14
March	—	—	—	67-29

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev
Sept	92.83	92.85	92.74	92.64
Dec	92.46	92.46	92.35	92.27
March	92.09	92.09	92.01	91.93
June	91.78	91.78	91.74	91.63
Sept	91.49	91.49	91.45	91.39
Dec	91.26	91.26	—	91.77
March	91.03	91.03	—	90.96
June	90.81	90.81	—	90.77

CERT DEPOSIT (IMM)
$1m points of 100%

	Latest	High	Low	Prev
June	92.57	92.57	—	92.45
Sept	92.17	92.19	92.13	92.03
Dec	91.70	91.71	91.69	91.56
March	—	—	—	91.14

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev
Sept	91.90	91.90	91.83	91.72
Dec	91.40	91.41	91.28	91.24
March	90.96	90.97	90.92	90.82
June	90.59	90.61	90.54	90.48
Sept	90.26	90.29	90.22	90.18
Dec	89.93	89.99	89.92	89.92
March	89.66	89.72	89.64	89.66
June	89.41	89.45	89.40	89.43

STERLING (IMM) $s per £

	Latest	High	Low	Prev
Sept	1.2805	1.2840	1.2765	1.2840
Dec	1.2710	1.2750	1.2670	1.2740
March	1.2635	1.2645	1.2600	1.2665
June	—	—	—	1.2615
Sept	—	—	—	1.2505

GNMA (CBT)
8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Sept	74-30	74-30	74-29	74-20
Dec	74-05	74-05	74-05	73-28
March	—	—	—	—
June	—	—	—	72-27
Sept	—	—	—	72-15

LIFFE OPTIONS REPORT

Sterling Currency—£25,000 c per £
Market moved with cash demonstrating an immediate and professional understanding of this vital new contract.

Est volume Calls	Est volume Puts	Previous day's open interest Calls	Previous day's open interest Puts
1459	1237	N/a	N/a

Eurodollar Future—points of 100%
Narrow spread rates from a broad participant base has established a positive and independent European market.

Est volume Calls	Est volume Puts	Previous day's open interest Calls	Previous day's open interest Puts
191	133	N/a	N/a

For full details of settlement prices call Louisa Powell at LIFFE on 01-623 0444. LIFFE, Royal Exchange, London EC3V 3PJ.

MONEY MARKETS

Slightly firmer tone in London

Interest rates had a slightly firmer tone on the London money market yesterday, but dealers said this tended to be only noticeable in the higher rates put on paper by non-clearing banks. Threemonth interbank finished unchanged at 12⅞-12⅞ per cent, and discount houses buying rates for three-month bank bills were steady at 12 per cent. A slightly difficult day is expected today, as many bills held by the Bank of England mature, while issuers may be reluctant to put out new paper until the start of the new half year on Monday.

UK clearing banks base lending rate 12½ per cent since June 12

The Bank of England forecast a market shortage of £800m, but changed this to £850m in the afternoon. Total help supplied on the day was £834m.

An early round of help was offered, and at that time the authorities bought £225m bills outright by way of £50m bank bills in band 1 (up to 14 days maturity) at 12⅞ per cent; £85m bank bills in band 2 (15-33 days) at 12½ per cent; £30m bank bills in band 3 (34-63 days) at 12⅛ per cent; and £58m bank bills in band 4 (64-91 days) at 12 per cent.

Before lunch another £190m bills were purchased outright, through £44m bank bills in band 1 at 12⅞ per cent; £14m bills in band 2 at 12½ per cent; £4m bank bills in band 3 at 12⅛ per cent; and £128m bank bills in band 4 at 12 per cent.

In the afternoon £169m bills were bought outright, by way of £13m bank bills in band 1 at 12⅞ per cent; £112m bank bills in band 2 at 12½ per cent; £23m bank bills in band 3 at 12⅛ per cent; £1m local authority bills in band 4 at 12 per cent; and £20m bank bills in band 4 at 12 per cent.

The Bank of England also provided late assistance of around £250m.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £381m, with the unwinding of repurchase agreements absorbing £447m, and Exchequer transactions another £20m.

In Frankfurt cal money was unchanged at 5.50 per cent, and as expected the Bundesbank moved to replace the DM 16.1bn draining from the money market on Monday when two securities repurchase agreements for 28 and 60 days expire. The two new agreements offered yesterday will run for 35 and 63 days, at a minimum rate of 5.1 per cent. The result of the tender and the amount to be credited to the market on Monday will be made known today.

MONEY RATES

June 27	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.45-5.55	10¼	1⅞-2⅛	6¾-6⅞	6.28125	14⅞-15¼	6.70	11¾-12
One month	5.40-5.55	10⅛-10⅛	5⅛-5⅛	6⅝-6¾	6.28125	14¼-14⅝	8⅝-8⅞	11¾-12
Two months	5.50-5.65	10¼-10⅜	—	—	—	—	—	11¾-12
Three months	5.55-5.70	10¼-10⅜	5¼-5⅜	6⅝-6¾	6.28125	14¾-15¼	8⅝-8⅞	11¾-12
Six months	5.6-5.75	10⅜-10½	—	6⅝-6¾	—	—	8¾-9	11¾-12
Lombard	6.0	—	—	—	—	—	—	—
Intervention	—	10⅛	—	6⅝	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

June 27 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	12-15	12⅝-12¾	12⅞-13	12-12¾	—	—	—	—	—
2 days notice	—	—	12⅝-12¾	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	12⅝-12⅞	12⅝-12¾	12⅞	12½-12⅝	—	—	—	—	—
One month	12⅞-12⅞	12⅝-12¾	12⅝	12⅞	12⅝	12⅞	12¼	12⅞	12¼	12⅞
Two months	12⅞-12⅞	12½-12⅝	12½	12¾	12¼	12⅛	12	12⅛	12⅛	12¾
Three months	12⅞-12⅞	12⅜-12⅝	12½	12⅝	12	11⅞	11⅞	12	11⅞	12⅝
Six months	12⅞-12⅞	12⅛-12⅞	12⅞	—	—	—	—	11⅞-11⅞	11⅞	12⅛
Nine months	11⅞-11⅞	12-12⅛	—	—	—	—	—	—	—	—
One year	11⅞-11⅞	11⅞-12⅛	11⅞	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	13-12⅞	—	12⅝	7.55-7.65	7⅛-7⅛	9¼-9⅜
Two months	12⅞-12⅝	—	12⅝	7.6-7.7	7¾-8	9⅛-9⅛
Three months	12⅞-12⅞	—	12½	7.65-7.75	7¾-8	9⅛-9⅞
Six months	12⅞-12⅞	—	12¼	7.85-7.95	7⅞-8⅛	9⅜-9½
Nine months	12⅞-12⅞	—	12⅛	8.2-8.3	—	—
One year	12⅝-12⅛	—	12⅛	8.35-8.45	8¼-8½	9⅜-9½
Two years	—	11⅝	—	—	—	—
Three years	—	11⅝	—	—	—	—
Four years	—	11½	—	—	—	—
Five years	—	11⅛	—	—	—	—

ECGD Fixed Rate Finance IV: Average Rate of Interest period May 8 to June 4 (inclusive): 12.677 per cent. Local authority and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 13 per cent from June 1, 1985. London and Scottish Clearing Bank Rates for lending 12½ per cent. Bank Deposit Rates for sums at seven days' notice 6.65-6.75 per cent (net). Treasury Bills: Average tender rate of discount 11.9171 per cent. Certificates of Tax Deposits (Series 6): Deposits £100,000 and over held under one month 12¾ per cent; one-three months 12½ per cent; three-six months 12¼ per cent; six-nine months 12 per cent; nine-12 months 12 per cent. Under £100,000 11½ per cent from June 27. Deposits held under Series 5 12 per cent. The rate for all deposits withdrawn for cash 8 per cent.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	9½
Broker loan rate	9¼-9½
Fed funds	7⅞
Fed funds at intervention	—

Treasury Bills

One month	6.46
Two month	6.90
Three month	6.89
Six month	7.08
One year	7.22

Treasury Bonds

Two year	99⅞
Three year	101⅞
Four year	99⅞
Five year	99⅞
Seven year	100⅞
10 year	105⅞
30 year	106⅞

FT LONDON INTERBANK FIXING

(11.00 a.m. June 27)

3 months U.S. dollars

bid 7¾ offer 7⅞

6 months U.S. dollars

bid 8 offer 8⅛

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA NT & SA, ECONOMICS DEPARTMENT, LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, June 26, 1985. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America, Economics Dept., E.M.E.A. London
Eurodollar Libor as of June 26 at 11.00 a.m.
3 months: 7⅞ 6 months: 8⅛

ECU=$US.734015 SDR1=$US.997642
Sibor as of June 26 at 11.00 a.m.
3 months: 8 6 months: 8⅛

COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (o)	50.60
Albania	Lek	7.8392
Algeria	Dinar	5.07
Andorra	Fr. Franc	9.325
	Sp. Peseta	175.20
Angola	Kwanza	29.918
Antigua	E. Caribbean $	2.70
Argentina	Austral (8)	0.805
Australia	Dollar	1.4948
Austria	Schilling	21.51
Azores	Port. Escudo	175.25
Bahamas	Dollar	1.00
Bahrain	Dinar	0.3769
Balearic Is	Sp. Peseta	175.20
Bangladesh	Taka	27.50
Barbados	Dollar	2.0113
Belgium	Franc (o)	61.6125
	Franc (f)	61.965
Belize	Dollar	2.00
Benin	C.F.A. Franc	466.25
Bermuda	Dollar	1.00
Bhutan	Ind. Rupee	12.39
Bolivia	Peso (o)	75,000
	Peso (f)	510,000
Botswana	Pula (f)	1.7544
Brazil	Cruzeiro (o)	5870.00
Brunei	Dollar	2.248
Bulgaria	Lev	1.0465
Burkina Faso	C.F.A. Franc	466.25
Burma	Kyat	8.5886
Burundi	Franc	122.989
Cameroun Rp	C.F.A. Franc	466.25
Canada	Dollar	1.3639
Canary Is	Sp. Peseta	175.20
Cape Verde Is.	Escudo	89.2698
Cayman Is.	Dollar	0.835
Cen. Africa Rep	C.F.A. Franc	466.25
Chad	C.F.A. Franc	466.25
Chile	Peso (o)	155.37
China	Renminbi Yuan	2.8779
Colombia	Peso (o)	139.80
Comoros	C.F.A. Franc	466.25
Congo Ppls Rep. of	C.F.A. Franc	466.25
Costa Rica	Colon	50.35
Cuba	Peso	0.9311
Cyprus	Pound*	1.6005
Czechoslovakia	Koruna (o)	6.95
Denmark	Krone	10.9775
Djibouti Rp. of	Franc	180.368
Dominica	E. Caribbean $	2.70
Domin. Rep.	Peso	1.00
	Peso (d)	3.14
Ecuador	Sucre (o,c)	67.18
	Sucre (d)	110.00
	Sucre (f)	95.75
Egypt	Pound	0.83
	Pound (c)	1.325
El Salvador	Colon	2.50
	Colon (d)	5.00
Eq'tl Guinea	C.F.A. Franc (4)	466.25
Ethiopia	Birr (o)	2.0725
Faeroe Is	Dan. Krone	10.9775
Falkland Is.	Pound*	1.2884
Fiji	Dollar	1.1765
Finland	Markka	6.3516
France	Franc	9.325
Fr. C'ty in Af	C.F.A. Franc	466.25
Fr. Guiana	Franc	9.325
Fr. Pac. Is	C.F.P. Franc	169.545
Gabon	C.F.A. Franc	466.25
Gambia	Dalasi	3.8808
Germany (E)	Ostmark (o)	3.0613
Germany (W)	Mark	3.0613
Ghana	Cedi (2)	53.00
Gibraltar	Pound*	1.2884
Greece	Drachma	136.50
Greenland	Dan. Krone	10.9775
Grenada	E. Caribbean $	2.70
Guadaloupe	Franc	9.325
Guam	U.S. $	1.00
Guatemala	Quetzal (o)	1.00
	Quetzal (h, l)	3.10
Guinea Bissau	Peso	147.325
Guinea Rep	Syli	24.7456
Guyana	Dollar	4.18
Haiti	Gourde	5.00
Honduras Rep.	Lempira	2.00
	Lempira (d)	2.55
Hong Kong	Dollar	7.762
Hungary	Forint	50.771
Iceland	Krona	41.88
India	Rupee	12.39
Indonesia	Rupiah	1119.00
Iran	Rial (o)	92.5181
Iraq	Dinar	0.3109
Irish Rep	Punt*	1.0238
Israel	Shekel	1187.00
Italy	Lira	1951.00
Ivory Coast	C.F.A. Franc	466.25
Jamaica	Dollar (o) (5)	5.56
Japan	Yen	249.00
Jordan	Dinar	0.3887
Kampuchea	Riel	n.a.
Kenya	Shilling	15.9343
Kiribati	Aust.Dollar	1.4948
Korea (Nth)	Won	0.94
Korea (Sth)	Won	874.10
Kuwait	Dinar	0.3033
Lao P'ple D. Rep	Kip	35.00
Lebanon	Pound	16.00
Lesotho	Maloti	1.9654
Liberia	Dollar	1.00
Libya	Dinar	0.2961
Liechtenst'n	Sw. Franc	2.5602
Luxembourg	Lux. Franc	61.6125
Macao	Pataca	8.0686
Madagascar D. R.	Franc	640.814
Madeira	Port. Escudo	175.25
Malawi	Kwacha 8	1.7765
Malaysia	Ringgit	2.486
Maldive Is	Rufiya	7.00
Mali Rp	C.F.A. Franc	466.25
Malta	Lira*	2.1063
Martinique	Franc	9.325
Mauritania	Ouguiya	67.15
Mauritius	Rupee	15.40
Mexico	Peso (d)	244.37
	Peso (e)	226.95
Miquelon	Fr. Franc	9.325
Monaco	Fr. Franc	9.325
Mongolia	Tugrik (o)	3.3555
Montserrat	E. Caribbean $	2.70
Morocco	Dirham	10.30
Mozambique	Metica	43.43
Namibia	S.A. Rand	1.9654
Nauru Is	Aust. Dollar	1.4948
Nepal	Rupee	18.30
Netherlands	Guilder	3.4507
Neth Ant'les	Guilder	1.80
New Zealand	Dollar	2.116
Nicaragua	Cordoba	10.00
	Cordoba (d)	600.00
Niger Rp	C.F.A Franc	466.25
Nigeria	Naira	0.895
Norway	Krone	8.8816
Oman Sultanate of	Rial	0.3456
Pakistan	Rupee	16.0078
Panama	Balboa	1.00
Papua N.G.	Kina	1.023
Paraguay	Guarani (o.c.)	240.00
	Guarani (d)	636.00
Peru	Sol (o)	110.92
Philippines	Peso	18.48
Pitcairn Is.	N.Z. Dollar	2.116
Poland	Zloty (O) (3)	159.00
Portugal	Escudo	175.25
Puerto Rico	U.S. $	1.00
Qatar	Riyal	3.641
Reunion, Ile de la	Fr. Franc	9.325
Romania	Leu (o)	4.47
Rwanda	Franc	102.953
St. Christopher	E. Caribbean $	2.70
St. Helena	Pound*	1.2884
St. Lucia	E. Caribbean $	2.70
St. Pierre	Fr. Franc	9.325
St. Vincent	E. Caribbean $	2.70
Samoa (Western)	Tala	2.2909
Samoa (Am.)	U.S. $	1.00
San Marino	It. Lira	1951.00
Sao Tome & Principe DR	Dobra	45.3569
Saudi Arabia	Riyal (7)	3.65
Senegal	C.F.A. Franc	466.25
Seychelles	Rupee	7.2516
Sierra Leone	Leone	6.00
Singapore	Dollar	2.246
Solomon Is	Dollar	1.5004
Somali Rep	Shilling	36.60
South Africa	Rand	1.9654
Spain	Peseta	175.20
Span Ports in N. Africa	Sp. Peseta	175.20
Sri Lanka	Rupee	27.40
Sudan Rep	Pound (10)	2.50
Surinam	Guilder	1.785
Swaziland	Lilangeni	1.9654
Sweden	Krona	8.8225
Switzerland	Franc	2.5602
Syria	Pound (o)	3.925
Taiwan	Dollar (o)	40.00
Tanzania	Shilling	17.50
Thailand	Baht	27.45
Togo Rep	C.F.A. Franc	466.25
Tonga Is.	Pa'anga	1.4948
Trinidad & Tobago	Dollar	2.409
Tunisia	Dinar	0.8519
Turkey	Lira	536.175
Turks & Caicos	U.S. $	1.00
Tuvalu	Aust. Dollar	1.4948
Uganda	Shilling	595.20
United Arab Emir.	Dirham	3.675
Utd. Kingdom	Pound Sterling*	1.2884
Uruguay	Peso (m)	94.88
USSR	Rouble	0.861
Vanuatu	Vatu	110.26
Vatican	Lira	1951.00
Venezuela	Bolivar (g)	7.50
	Bolivar (g) (1)	4.30
	Bolivar (o)	13.96
	Bolivar (d)	13.97
Vietnam	Dong (o) (6)	100.256
Virgin Is. British	U.S. $	1.00
Virgin Is. U.S.	U.S. $	1.00
Yemen	Rial	7.35
Yemen PDR	Dinar	0.343
Yugoslavia	Dinar	282.47
Zaire Rep.	Zaire	39.9368
Zambia	Kwacha	2.3613
Zimbabwe	Dollar	1.6664

n.a. Not available. (m) Market rate. * U.S. dollars per National Currency unit. (a) Freemarket central bank. (o) Official rate. (b) Freemarket interbank. (c) Commercial rate. (d) Freemarket. (e) Controlled. (f) Financial rate. (g) Preferential Rates. (h) Non-essential imports. (l) Floating tourist rate. (1) Venezuela: For debts incurred prior to February 1983. (2) Ghana: April 19, official devaluation of 5.6%. (3) Poland: June 1, official devaluation of 13.2%. (4) Equatorial Guinea: Dec 31, Currency joins Franc zone. (5) Jamaica: Nov 8. Rate adjustment fixed by Central Bank bi-weekly auction. (6) Vietnam: Official devaluation effective April 22. (7) Saudi Arabia: June 10, Official devaluation of 1.1 per cent. (8) Argentina: June 15, New currency introduced: 1 Austral=1,000 Pesos.
For further information please contact your local branch of the Bank of America.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1985 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
99¾	97¼	Treas 8¼pcCnv '85	99¼	+¼	8.75	12.38
101	99	Exch 12½pc 1985	99	+¼	12.25	12.06
101	99	Exch 11¼pc '86	99⅞		11.77	11.84
99½	97	Treas. 10pcCnv 1986	98⅝	...	10.14	11.78
94⅞	92¼	Treas 3pc 1986	94⅛		3.18	9.72
100	97½	Exch 10½pc Cv '86	99½	+	10.59	11.50
101⅞	99¼	Treas 12pc 1986	100		11.95	11.47
97⅞	94¾	Treas 8½pc 1984-86‡‡	97¼xd		8.72	11.28
105	102	Exch. 14pc 1986	102		13.60	11.49
93⅛	87¼	Exch. 2½pc 1986	92	−	2.70	8.11
104	101¼	Exch. 13¼pc 1987	102½xd	...	12.93	11.46
99½	96⅛	Treas 10¼pcCv '87	98	−	10.43	11.40
91	85½	Exch 2½pc 1987	90⅝		2.76	8.67
99	96¼	Exch 10½pc 1987	98⅝		10.65	11.33
93⅛	89	Funding 6½pc '85-87‡‡	92	−	6.99	10.80
98⅛	95½	Treas. 10pc 1987	97		10.24	11.34
90¼	84⅞	Treas 3pc 1987	89 xd	−	3.35	8.45
102	99⅝	Treas. 12pc 1987	101¼	..	11.85	11.32
93½	90¼	Treas 7¼pc 1985-88‡‡	93¼xd	..	8.32	10.88
98⅞	95⅛	Exch 10½pc '88	98⅛	−	10.70	11.26
96	93⅛	Treas 9¾pc Cv '88	96⅛		10.14	11.32
85⅞	80	Transport 3pc '78-88	85 xd	−	3.50	8.44
95⅛	91½	Treas. 9½pc '88	94⅞	−	10.01	11.36
101⅛	97½	Treas 11½pc 1989	100⅛	−	11.46	11.35
95	90¼	Treas 9½pc Cnv. '89	94⅝	+	10.07	11.34
79	79	Treas 3pc 1989	79	+	3.77	9.35
97	94	Treas 10½pc 1989	97		10.77	11.31
96	92	Exch. 10pc 1989	95⅝xd	−	10.46	11.39
99	95	Exch 11pc 1989	98¼		11.14	11.34
84	79	Treas 5pc 1986-89	84		5.95	9.62
107½	103⅛	Treas 13pc 1990‡‡	106½xd	−	12.20	11.14
99	96	Exch 11pc 1990‡‡	98⅝	−	11.15	11.36
108¼	100¼	Exch 12½pc 1990	104¼		11.97	11.26
75¾	75¼	Treas. 3pc 1990	75¼	...	3.96	9.32
93	87⅛	Treas 8¼pc 1987-90‡‡	90¼		9.15	10.87

Five to Fifteen Years

1985 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
97¼	91⅞	Treas. 10pcCv 1990	96⅝	+¼	10.55	11.29
105¾	97⅝	Treas 11¾pc 1991	101¼xd	+¼	11.57	11.34
85⅛	80	Funding 5¾pc '87-91‡‡	85¼	+⅛	6.86	9.41
101⅛	95	Exch. 11pc 1991	100½	+¼	11.18	11.30
111¼	101⅝	Treas 12¾pc 1992‡‡	105⅞xd	+¼	11.97	11.27
98	88⅝	Treas 10pc 1992	97⅞	+¼	10.61	11.21
101¼	94¼	Treas 10½pc Cv 1992‡‡	98⅛	+¼	10.85	11.15
108⅝	98⅞	Exch. 12¼pc '92	108½	+¼	11.75	11.33
114	105	Exch 13½pc 1992	113¼	+¼	12.27	11.37
111¼	101¼	Treas 12½pc 1993‡‡	106xd	+¼	11.74	11.25
81½	74⅞	Funding 6pc 1993‡‡	81¼	+⅛	7.55	9.66
118¾	109¾	Treas 13¾pc 1993‡‡	114⅛	+¼	12.18	11.29
123¾	111¼	Treas 14½pc 1994‡‡	122⅞	+¼	12.28	11.16
114½	108⅛	Exch 13½pc 1994	113⅞	+¼	12.12	11.37
111¼	100⅛	Exch. 12½pc 1994	110⅞	+¼	11.75	11.34
91	86¼	Treas 9pc 1994‡‡	89⅞	+¼	10.14	10.92
108⅛	98⅛	Treas 12pc 1995	103xd	+¼	11.57	11.34
70¼	62⅛	Gas 3pc '90-95	70¼	+⅛	4.29	7.35
98¼	89⅝	Exch 10¼pc 1995	93⅞xd	+¼	10.86	11.28
113⅛	106¼	Treas 12¾pc 1995‡‡	110⅞	+¼	11.68	11.19
121⅛	110⅛	Treas. 14pc '96	114⅞xd	+¼	12.10	11.39
91	84½	Treas 9pc 1992-96‡‡	90⅝	+¼	10.23	10.91
128⅛	121¼	Treas 15¼pc 1996‡‡	126½	+¼	12.29	11.31
117⅛	110⅛	Exch 13¼pc 1996‡‡	114⅝	+¼	11.75	11.14
76¼	68½	Redemption 3pc 1986-96	76⅛	..	3.96	6.00
118½	108⅛	Treas 13¼pc 1997‡‡	112½xd	+¼	11.71	11.17
100⅛	90½	Exch 10½pc 1997	99⅞	+¼	10.93	11.07
88⅝	80½	Treas 8¾pc 1997‡‡	88⅝	+¼	10.22	10.87
127¼	120⅛	Exch. 15pc 1997	126¼	+¼	12.13	11.36
96	87⅞	Exch. 9¾pc 1998	91¼xd	+¼	10.63	10.96
75¾	70⅞	Treas 6¾pc 1995-98‡‡	74⅝	+⅛	9.18	10.55
133⅛	122⅞	Treas. 15½pc '98‡‡	132¼	+¼	12.07	11.27
111⅛	103¼	Exch. 12pc 1998	107⅞	+¼	11.30	11.07
95⅛	86⅝	Treas 9½pc 1999‡‡	90⅝xd	+¼	10.45	10.77
112¼	103⅞	Exch. 12¼pc 1999	111⅛	+¼	11.31	11.03
101⅛	94¼	Treas. 10½pc 1999	98¼	+¼	10.82	10.90
99⅞	92⅛	Conversion 10¼pc 1999	96⅛	+¼	10.77	10.89

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

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AMERICANS

[illegible]

AMERICANS—Cont.

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CANADIANS

[illegible]

BANKS, HP & LEASING

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Hire Purchase, Leasing, etc.

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BEERS, WINES—Cont.

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CHEMICALS, PLASTICS

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DRAPERY & STORES—Cont.

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ELECTRICALS

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ENGINEERING

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ENGINEERING—Continued

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FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

1985 High	1985 Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
104	81	Marley	81	−1	3.75	2.2	6.6	9.8
107	52	Marling Ind. 10p	94		td3.0	5.6	2.0	11.0
74	36	Marshall L'ey 'A'	61	−1	2.4	4.9	5.6	4.4
77	61	Marshall's Universal	66		2.0	1.4	4.3	(20.9)
86	78	Do 7½pcCnRedPf £1	84		7½%	—	12.8	—
22	22	Martin-Black	22a		—	—	—	—
£97	£81	Mathesons 7½%	£95		07½%	2.3	18.5	—
35	26	Maxiprint 1p	28		—	—	—	—
477	375	Metal Box £1	443ar	−5	17.25	q2.8	5.6	6.4
170	136	Metal Closures	139	−1	6.7	2.0	6.9	8.7
17	9	Metal Sciences 2½p	10	−1	—	—	—	—
104	73	Midland Marts	82	−1	4.0	♦	7.2	♦
83½	68	Mitchell Cotts	69	−½	t4.0	1.5	8.3	9.9
230	182	Morgan Crucible	194	−4	8.0	1.6	5.9	13.5
32½	22	Morris (W) F.A. 20p	30½		g0.5	♦	2.3	♦
110	91	Moss (Robt.) 10p	95	−3	3.0	2.5	4.5	10.5
81	68	Mysen Grp 10p	78		g2.5	3.4	5.1	13.3
328	214	NMW Computers	270rd		h4.8	2.7	2.5	20.8
43	28	Nash Inds.	28		t2.5	1.5	‡	6.4
48	20	Neil & Spencer 10p	20	−3	♦	—	—	6.0
44	14½	Newman Inds 10p	34	−2	—	—	—	16.1
44	18½	Do 10pc Cm.Cnv.Pf.	34	−2	10%	—	4.2	—
55	43	Nokon	47		g1.1	4.5	3.3	7.9
183	146	Norcros	161	−3	8.6	♦	7.9	♦
67	50	Nu-Swift 5p	50	−1	3.0	1.6	8.6	9.6
111	68	Oakwood Grp	108		d4.5	1.4	6.0	(15.9)
230	150	Office & Elect	222		7.5	2.4	4.8	12.2
108	77	Oldacre 20p	78	+1	g4.0	2.6	7.3	6.9
58	37	Optometrics $0.01	45	−1	ud02c	—	3.5	47.8

LEISURE—Continued

1985 High	1985 Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
283	228	First Leisure £1	273		6.5	2.8	3.4	[illegible]
69	51	GRA Group 5p	59	−2	—	—	—	
96	82	Grampian TVA 10p	82		5.0	♦	8.7	
145	117	HTV Non/Vtg.	130	−5	b7.0	2.9	7.7	
148	100	Horizon	100		♦4.4	3.6	6.3	
184	90	Insight	162	−6	2.5	6.5	2.2	
134	102	Intasun 10p	125		t4.4	2.8	5.0	
33	5	Intervsn Video 10p	7½		0.0	—	—	
232	188	Juliana's Hldgs 2p	188	−7	2.0	1.8	1.3	
268	217	LWT	253	+1	14.4	2.3	8.1	
65	56	Leisuretime Int 10p	55	−3	2.1	3.9	5.5	
162	146	Mngmt. Ag. M. 10p	162a		♦8.75	1.3	7.7	
183	155	Media Tech Int 20p	157	−3	♦q2.58	3.9	2.3	
200	124	Medminster 10p	189	−5	t4.85	2.6	3.8	
280	175	Miss World 10p	195	−20	3.6	4.1	2.6	
127½	86	Nationwide Leisure	86		t3.75	2.5	6.2	
34	15	Nimslo Int 20c	28		—	—	—	
24⅛	19¾	Owners Abroad	20½		1.0	♦	7.0	
53	38	Photax (Lon.)	45		—	—	—	
24½	21½	P'dilly Radio NV 5p	22		1.87	1.1	12.4	
90	30	Pineapple Dnc St 10p	33	−9	d1.5	1.2	6.5	
465	366	Pleasurama 5p	430	−5	9.2	3.7	3.1	
119	109	Do 7pcCvCmRedPf	111	−1	—	—	—	
96	77½	Pres. Entertain 50p	86½		q2.0	2.1	3.3	
65	28	Radio Cnty 'A' NV	30		t5.6	0.9	‡	
55	42	Radio Clyde N/V	45		3.25	2.0	10.3	
63	37	Riley Leisure 10p	45		0.7	—	‡	
193	143	Saga Hols. 20p	155	−5	4.0	2.1	3.7	
£11¼	540	Samuelson Grp £1	£11	−¼	19.0	3.6	—	

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

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FINANCE, LAND—Cont.

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OVERSEAS TRADERS

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O.F.S.

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Finance

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Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

"Recent Issues" and "Rights" Page 40

LONDON STOCK EXCHANGE

MARKET REPORT

Weak tone continues but late rally takes equity leaders away from year's lowest

Account Dealing Dates

Option *First Dealings	Declara-tions	Last Dealings	Account Day
June 17	June 27	June 28	July 8
July 1	July 11	July 12	July 22
July 15	July 25	July 26	Aug 5

* "New-time" dealings may take place from 9.30 am two business days earlier.

Declines on the London equity market showed few signs of abating for much of yesterday. By mid-afternoon, share prices were down to their lowest levels since December 13 with traders increasingly pessimistic and forecasting a continuation of the free-fall. At 2 pm this mood had lowered the FT Ordinary share index over 97 points in the past three weeks. The reasons for the depression remained unaltered and included cash shortages as a result of over-funding.

Attention yesterday focused on **Hanson Trust**, and again on **Thorn EMI**. The situation regarding Hanson new nil-paid shares aroused concern that much of the £519m issue could be left with the underwriters. An instalment of £1 on each new share is due on Tuesday and at one stage the price fell to ½p premium before rallying to 1½p premium.

Wild talk that Thorn EMI had run into financial problems and had approached the Bank of England savaged the shares which dropped to 345p prior to the group's strong disclaimer of any such action. Thorn EMI, thought to be a bid target for Hanson just a short while ago, subsequently steadied but, at 358p, the price has dropped 59 over the past two sessions.

Other blue chip industrials were also down by double-figure amounts just before the official close. After-hours, however, the scene changed quite dramatically. A technical recovery held at last and touched off renewed demand which saw values respond sharply. Encouraged also by early firmness on Wall Street, the market rallied to the extent that a fall of 13.5, at 2 pm, in the FT Ordinary index was reduced to only 2.6 at 933.9.

Gilt-edged investors were not dismayed by the Chancellor's lack of encouragement on interest rates. Some decided to commit funds on the back of the rising sterling exchange rate and longer-dated gained ⅜ in places. News of the May surplus on UK trade account made little impact on sentiment in either Gilt-edged or equities.

Hogg Robinson rise

A broker's recommendation in the wake of the preliminary results and U.S. expansion moves attracted buyers to **Hogg Robinson**, which advanced to 239p before closing 8 better on balance at 237p. Other Lloyds Brokers drifted gently lower. **C. E. Heath** cheapened 7 to 603p and **PWS International** 5 at 305p. **Windsor Securities** softened a couple of pence more to 51p; **Lander Investments**, a private insurance company, won boardroom control of W.S. on Wednesday after a protracted battle. Composites often closed above the lowest levels of the day. **Royals** cheapened 5 more to 640p, after 632p, on further consideration of the £94m acquisition of Lloyd's Life Assurance. Life issues staged a late techniacl recovery, but still sustained double-figured falls in places. **Prudential** declined 20 to 637p, after 635p, while **Legal and General** cheapened 10 to 687p, after 680p.

First National Finance Corporation lost 6 to 96p following profit-taking in the waks of the results.

Newcomers to the market continued to have a rough ride. The latest debutant **First Security**, designers and manufacturers of automotive safety and fire detection systems, was no exception. The shares began life at 120p and touched 115p before closing at the former price, a discount of 40 on the offer-for-sale level of 160p. Elsewhere, **Brent Walker**, which were offer-for-sale recently at 130p tumbed 15 to 99p.

Yet another active business developed in recent speculative favourite **Allied-Lyons**. Down to 215p earlier reflecting occasional profit-taking, the shares later rallied to settle only 3 off on balance at 218p; the Harveys of Bristol subsidiary has acquired two Spanish sherry and brandy houses in an £11m deal. **Arthur Bell**, down to 228p throughout the morning, attracted useful "new-time" support and rallied to finish a net 5 up at 238p.

BPB Industries provided one of the few bright spots in the Building sector as the shares rallied 5 to 217p after comment on the company's prospects for the current year. Leading building generally gave ground. **Costain Group** dipped 6 to 392p and **Tarmac** gave up 4 to a year's low of 280p. Profit-taking left **French Kier** a similar amount off at 181p. **Vectis Stone** came under pressure during the morning and fell away to 56p, but later rallied to close unchanged on balance at 61p amid talk of an imminent bid disclosure from Tarmac.

A weak Chemicals sector included one of the day's features in **Allied Colloids** which plummeted to a 1985 low of 152p reflecting the acutely disappointing preliminary results, prior to closing 58 down at 157p. **Rentokil** dropped 10 to 143p and **Wardle Storeys** 8 to 174p. **ICI** gave up a few pence in initial dealings but gathered strength after hours to close 6 better at 739p.

Initially depressed by the Chancellor's refusal to consider an immediate reduction in interest rates, sentiment in leading Stores later improved. Earlier double-figure losses were almost eradicated and **Debenhams**, down to 353p at one stage, reverted to the overnight level of 361p, while **Burton** settled only 2 cheaper at 444p, after 436p; Burton's unwelcome offer has been extended until July 10. **British Home** closed 3 off at 279p, after 271p, while **Gussies** A, sold down to 739p earlier, finished 2 up on balance at 752p.

Second-line Stores were irregular. **Dixons**, annual results due July 17, slumped to 645p before settling only 7 lower on balance at 660p, but sellers held sway in **Body Shop**, 655p, and **Home Charm**, 314p, down 20 and 12 respectively. **Superdrug** hardened a few pence to 408p on the increased first-quarter profits, but the annual profits setback clipped 3 from **Walker and Staff**, at 32p. **Lincroft Kilgour** dipped 7 to 163p and **Pepe** fell another 3 to 73p, after 68p, ahead of the respective annual and interim results, due next Tuesday. **Stormgard's** offer for **Selincourt** has been declared unconditional as to acceptances, the former claiming control of over 56.6 per cent of the equity capital; Selincourt shares not assented to the offer fell 1¼ to 28p.

STC rally

Apart from Thorn EMI's depressing performance, leading Electricals were notable for an encouraging rally in **STC**, which recovered to 142p before closing 8 higher on balance at 13p; the movement was accompanied by revived rumours that ITT was on the verge of selling its 24 per cent stake in the company to a potential American predator. **Cable and Wireless** hardened 10 to 510p folowing comment on the results and **Ferranti** held the overnight level of 112p, after 116p, for the same reason. **Racal**, however, still reflecting the profits warning, cheapened 2 further to 146p, after 144p. Secondary issues remained under a cloud with sentiment not helped by **MK's** disappointing annual profits; **MK** fell 10 to 230p, after 220p. **Eurotherm** lost 20 to 280p as did **Microlease** to 270p, while **Micro Business Systems** slipped 14 to 48p and **INSTEM** 15 to 185p.

Still reflecting doubts about nationalisation compensation prospects, **Vickers** dropped to 245p before rallying sharply to end only a penny easier on balance at 257p. Elsewhere in Engineerings, **Hawker** declined 10 more to 401p and **TI** lost 6 to 246p. **Westland** improved to 86p on the appointment of the new chairman before reacting to finish 5 lower at 78p.

Foods staged a notable recovery during the afternoon and most losses were generally sharply reduced. Among Manufacturers, **Ranks Hovis MacDougall** encountered sporadic profit-taking and dipped 5 to 149p, after 147p, but buyers displayed enthusiasm for **Bernard Matthews**, 16 dearer at 363p, and **Tavener Rutledge**, 3 up at 39p. **Whitworth's Food** eased a few pence to 105p following the interim figures.

Mid-term reusits from **Trusthouse Forte** were regarded as uninspiring, but the shares, lifted by the general late recovery, rose 4 to 128p.

Reed Int improve

Miscellaneous industrial leaders ended another difficult day with a late technical rally. The closing trend was therefore mixed with **Reed International** prominent in after-hours and recovering from 570p to finish 12 dearer on balance at 592p. **Boots** ended 3 to the good at 182p, after 175p, while **Hanson Trust** edged forward a couple of pence to 182p, after 177p. **Beecham**, however, remained friendless at 315, down 5, and **BOC** lost 6 to 269p. Elsewhere, **Bowater** declined 8 to 245p and **English China Clays** 4 to 214p with the latter's new nil-paid shares stuck at ½p premium. **Longton Industrial** gave up 9 to 103p following the results, while **Anglo Nordic** softened a penny to 34p despite an encouraging statement, which accompanied the annual figures. **Dalgety** lost 15 to 398p, and **Cookson** fell 18 to 315p, while **A. and P. Appledore** eased 7 more to 273p and **Powell Duffryn** 9 to 268p. **Wire and Plastic** dropped 15 to 125p.

Leisure stocks showed little sing of a rally. Late selling hit **Pineapple Dance**, 9 off at 33p, and **Miss World**, 20 lower at 195p; earlier in the week Mr Michael Ashcroft's Hawley sold sizeable holdings in both companies. **Insight** dipped 6 more to 162p, while **Barr and Wallace Arnold Trust A** gave u pa similar amount at 96p.

York Trailer advanced 11 to 43p, a couple of pence below the surprise agreed cash offer from United Parcels, 4 lower as 66p. **E.R.F.** in contrast, eased 2 to 40p following the substantial full-year deficit. Elsewhere in Motors, **Jaguar** rallied from initial weakness to finish a net 2 up at 271p. In Disributors, **Lex Service**, 185p **Adams and Gibbon**, 232p, fell 5 and 6 respectively, but fresh support was noted for **Glanfield Lawrence**, 6 higher at 53p.

—P—

Advertising agency **Geers Gross**, a depressed market throughout the month following the profits warning at the annual meeting, rallied 10 to 75p, after 82p, amid talk of a bid from Eurocom; the French concern already holds around 20 per cent of Geers Gross.

Properties made a dull showing. **Chesterfield** fell 20 to 400p, while **Priest Marians** declined 25 to 900p and **C. H. Beazer** 13 to 366p. **Speyhawk** eased 3 to 230p following the interim results.

In Financials, **Mills and Allen International** fell 35 to 315p after announcement of rights issue to finance the acquisition of Gintelco, a New York corporate bond broker.

Burmah erratic

Oils remained depressed and suffered some hefty losses in the early trade. One or two of the leaders participated in the after-hours rally but most closed either at or around the day's lowest levels. **BP** eased to 518p initially but recovered on the back of U.S. support to end the day unchanged on balance at 523p. **Shell**, however, registered a 10 fall to 693p, while **LASMO** dipped 11 to a 1965 low of 242p. **Burmah Oil** were heavily sold first thing and ran back to 236p in the absence of any takeover developments prior to settling a net 8 off at 240p.

News of the encouraging gas discovery off the South coast of Ireland failed to arouse any enthusiasm in recently dull Irish exploration issues. Of the quoted participants in the find **Atlantic** dropped to a year's low of 44p before closing 4 down on balance at 46p, while **Aran Energy** gave up 2 to a low of 27p. **Eglinton** and **Bryson** fell 3 apiece to 47p and 80p respectively. Recent bid favourite **Caledonian Offshore** fell further to 480p at the outset but subsequently recovered strongly to end a net 20 to the good at 510p. **Falcon Resources** put on 5 to 75p, while **Great Western Resources** held at 215p following the interim results. Among Australian oil, **Woodside** retreated 5 to 72p on the proposed A$208m rights issue in the ration of one-for-three at A$1.25 a share.

Golds down again

Mining markets continued to drift easier on general lack of interest. Bullion's initial decline, which reflected aneasier trend in New York overnight, triggered an early bout of light selling pressure in South African Golds and the sector remained on the retreat for the rest of the session. The Gold Mines index gave up 8.1 more to 430.9—for a two-day fall of 14.6—while bullion was finally a net $0.25 off at $317 an ounce, having touched a day's low of around $315 around mid-day.

Financials remained under pressure, especially the London-registeerd issues which were additionally weakened by the latest setback in domestic equity markets. **Rio Tinto-Zinc** lost ground for the third successive trading session and settled a further 8 down at a 1985 low point of 552p.

The current depression in Australian issues continued with the leaders under renewed pressure. **Western Mining** dropped 9 to 192p while new lows for the year were common to **Bougainville** and **Peko-Wallsend**, which fell 6 apiece to 98p and 208p respectively. Golds weakened appreciably; **Central Norseman** gave up 10 to 368p, **Gold Mines of Kalgoorlie** 15 to 420p and **Poseidon** 8 to 170p.

Among the junior exploration stocks, recent speculative favourite **Gem Exploration** initially hardened to a record 94p prior to ending the day unchanged on balance at 92p.

Traded Options remained lively. Total contracts struck amounted to 9,741, comprising 5,392 calls and 4,349 puts. The FT-SE 100 index option accounted for 2,550 contracts.

FINANCIAL TIMES STOCK INDICES

	June 27	June 26	June 25	June 24	June 21	June 20	year ago
Government Secs	81.86	81.81	81.77	81.92	81.96	81.94	78.40
Fixed Interest	86.42	86.37	86.35	86.58	86.72	86.46	82.50
Ordinary	933.9	936.5	952.1	965.2	963.2	974.1	807.1
Gold Mines	432.2	439.0	445.5	440.2	440.6	452.3	642.4
Ord. Div. Yield	4.95	4.93	4.86	4.80	4.81	4.75	4.90
Earnings, Yld.% (full)	12.41	12.36	12.17	12.03	12.06	11.91	11.40
P/E Ratio (net) (*)	9.84	9.88	10.04	10.15	10.13	10.25	10.54
Total bargains (Est.)	21,256	21,762	21,706	22,196	23,624	23,168	15,901
Equity turnover £m.	—	374.96	365.18	242.39	339.34	465.64	197.90
Equity bargains	—	17,707	20,895	20,401	24,929	27,622	12,664
Shares traded (ml)	—	209.5	202.0	140.6	177.2	250.1	113.7

10 am 936.1. 11 am 930.2. Noon 925.8. 1 pm 923.8.
2 pm 923.0. 3 pm 926.0.

Basis 100 Govt. Secs. 15/2/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/10/55. SE Activity 1974.

Latest Index 01-246 8026.

* Nil=9.52.

HIGHS AND LOWS

—	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	82.17 (19/6)	78.02 (28/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	86.72 (21/6)	82.17 (28/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1024.5 (22/1)	928.7 (3/1)	1024.5 (22/1/85)	49.4 (26/6/40)
Gold Mines	536.9 (18/4)	421.9 (10/6)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY INDICES

	June 26	June 25
Daily Gilt Edged Bargains	118.8	133.5
Equities Bargains	114.7	136.4
Value	757.9	778.5
5 day Average Gilt Edged Bargains	122.9	129.9
Equities Bargains	144.6	142.4
Value	729.9	696.2

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (11)

BRITISH FUNDS (1)
Treas. 8½pc Cnv. '85
FOREIGN BONDS (1)
Iceland 14½pc Ln '16
BANKS (1)
Copenhagen H'bank
STORES (1)
Courts A
ELECTRICALS (1)
Volex
FOODS (1)
Blue Bird Confec'y
HOTELS (1)
Garfunkels Restrnts.
MOTORS (2)
York Trailer, Glanfield Lawrence
TRUSTS (1)
Asset Special Sits.
MINE (1)
Gem Expln. & Mins.

NEW LOWS (229)

AMERICANS (3)
CANADIANS (3)
BANKS (3)
BREWERS (2)
BUILDINGS (13)
CHEMICALS (9)
STORES (7)
ELECTRICALS (33)
ENGINEERING (6)
FOODS (5)
HOTELS (2)
INDUSTRIALS (36)
INSURANCE (3)
LEISURE (3)
MOTORS (4)
PAPER (2)
PROPERTY (15)
SHIPPING (2)
SHOES (1)
TEXTILES (4)
TOBACCOS (1)
TRUSTS (41)
OIL (16)
OVERSEAS TRADERS (2)
PLANTATIONS (1)
MINES (12)

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	58	11	39
Corpns. Dom. and Foreign Bonds	5	4	68
Industrials	145	531	782
Financial and Props.	40	240	272
Oils	11	44	72
Plantations	1	5	12
Mines	8	73	98
Others	36	110	94
Totals	304	1,018	1,437

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or −	Net div.	Times covered	Gross yield	P/E ratio
[illegible]											

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price £	+ or −
[illegible]							

RIGHTS OFFERS

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or −
[illegible]							
370	Nil	—	30pm	12pm	Taylor Woodrow	13pm	−2
10	F.P.	12/7	40½	27	"The Times" Veneer	32	
150	F.P.	12/7	211	176	Tomkins (F.H.) 5p	176	−15
600	Nil	—	90pm	43pm	Union Discount £1	43pm	−2
2	F.P.	22/7	3½	2¼	Willaire Systems	2½	+¼

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimates. *g* Assumed dividend and yield. *u* Forecast dividend cover based on previous year's earnings. *p* Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment letters or fully paid. ‖‖ Introduction. ✱ Unlisted Securities Market. § Placing price. ‡‡ Dealt in under Rule 535 (3).

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Allied Colloids	157	−58
Allied Lyons	218	− 3
Burmah Oil	240	− 8
Burton	444	− 2
Geers Gross	75	+10
Imperial Group	183	+ 1
Legal and General	687	−10
Pentland Inds	940	+ 5
Prudential	637	−20
STC	136	+ 8
Shell Transport	693	−10
Thorn EMI	358	−17

OPTIONS

Stocks favoured for the call included Falcon Resources, Pavion International, Ocean Transport, Macarthys Pharmaceuticals, GEC, British Telecom, Tranwood, Thorn EMI, Berkeley Exploration, Grovebell, Vosper, Bryson Oil and Gas, Aran Energy, C. H. Bailey and Crystalate. Money was given for the put of Westland, Pentland Industries, BP and Falcon Resources, but no doubles were reported.

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Wed. close	Day's change
Cable and Wire	17	500	−15
Debenhams	16	351	−20
Thorn EMI	15	375	−42
Allied-Lyons	14	221	+ 6
Bass	14	527	−15
Ferranti	14	112	− 4
Shell Trans	14	703	+ 6
Reuters B	13	309	+ 6
ICI	12	733	− 4
Pentland Inds	12	936	−15
Racal Elects	12	148	− 9

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thur June 27 1985 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	xd adj. 1985 to date	Wed June 26 Index No.	Tues June 25 Index No.	Mon June 24 Index No.	Year ago (approx.) Index No.
[illegible]										

FIXED INTEREST

PRICE INDICES	Thur June 27	Day's change %	Wed June 26	xd adj. today	xd adj. 1985 to date
[illegible]					

AVERAGE GROSS REDEMPTION YIELDS	Thur June 27	Wed June 26	Year ago (approx.)
[illegible]			

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

EUROPEAN OPTIONS EXCHANGE

Series	Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
[illegible]							

TOTAL VOLUME IN CONTRACTS: 17,441

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Option		CALLS Jly.	CALLS Oct.	CALLS Jan.	PUTS Jly.	PUTS Oct.	PUTS Jan.
[illegible]							

Option		CALLS Aug.	CALLS Nov.	CALLS Feb.	PUTS Aug.	PUTS Nov.	PUTS Feb.
Lonrho (*168)	160	14	21	24	4	5½	8½
	180	4	9	14	13	16	18
	200	1½	—	—	32	—	—
[illegible]							

June 27 Total contracts 9,741. Calls 5,392. Puts 4,349

* Underlying security price

WORLD STOCK MARKETS

AUSTRIA

June 27	Price Sch%	+ or —
Creditanstalt	375	—6
Goesser	535	—9
Interunfall	1,850	+80
Laenderbank	366	—4
Perlmooser	595	—30
Steyr-Daimler	181	+6
Veitscher Mag	566	—14

BELGIUM/LUXEMBOURG

June 27	Price Frs.	+ or —
B.B.L.	2,010	+10
Banq. Gen Lux	—	
Banq. Int. A. Lux	6,020	
Bekaert B	5,900	
Ciment CBR	2,545	
Cockerill	220	—1
Delhaize	8,500	
EBES	2,935	—35
Electrobel	5,410	+10
Fabrique Nat	1,990	—10
GB Inno BM	4,715	+10
GBL (Brux)	1,965	+5
Gevaert	3,905	+5
Hoboken	5,620	+10
Intercom	2,120	—5
Kredietbank	9,080	—10
Pan Hldgs.	10,800	
Petrofina	5,640	—30
Royale Belge	12,100	+100
Soc. Gen. Banq.	3,440	+50
Soc. Gen. Belge	1,880	—10
Sofina	7,160	
Solvay	4,265	—75
Stanwick Intl	1,500	
Tractionel	5,800	+5
UCB	5,250	—10
Wagon Lits	5,470	+10

DENMARK

June 27	Price Knr %	+ or —
Andelsbanken	323	—3

GERMANY

June 27	Price Dm.	+ or —
AEG-Telef	143	+6
Allianz Vers	1517	+42
BASF	226.7	+2.1
Bayer	225.5	+2.5
Bayer-Hypo	340	+4.2
Bayer-Verein	369	+7
BHF-Bank	334	+9
BMW	434	+12
Brown Boveri	227	+1
Commerzbank	202.5	+6.5
Cont'l. Gummi	154.2	+4.7
Daimler-Benz	833	+4
Degussa	366	+8
D'sche Babcock	157	—1
Deutsche Bank	587.5	+0.5
Dresdner Bank	244	+15
GHH	168	+3.5
Hochtief	540	+8
Hoechst	226.1	+1.6
Hoesch Werke	109.9	+1.4
Holzmann (P)	462	
Horten	186	+4
Hussel	281.5	+0.5
Karstadt	232	+2.5
Kaufhof	247.5	+6.5
KHD	268	—12
Kloeckner	68	+1.3
Linde	620	+10
Lufthansa	196.5	+1.5
MAN	169.5	+5.5
Mannesmann	186	+3
Mercedes Hld	746	+2
Metallgesel	278	+6.5
Munech Rueck	1,890	
Nixdorf	572	+5
Porsche	1478	+20
Preussag	295	+1.5
Rhein West Elect	183.7	+1.7
Rosenthal	260	—1
Schering	498	+7
Siemens	571.5	+4.5
Thyssen	112	+2.7
Varta	226	+4
Veba	218.5	+3.8
V.E.W.	137	+1
Verein-West	350	+4
Volkswagen	315	+12

NORWAY

June 27	Price Kroner	+ or —
Bergens Bank	157	
Borregaard	394	+4
Christiania Bank	136.5	
DenNorske Cred	152.5	
Elkem	122.5	—3
Komos	210	+1
Kvaerner	156	—1.5
Norsk Data	333	+3
Norsk Hydro	97.5	+1.5
Storebrand	260	—5

SPAIN

June 27	Price Pta%	+ or —
Bco Bilbao	342	+2
Bco Central	318	—1
Bco Exterior	199	
Bco Hispano	165	
Bco Popular	340	
Bco Santander	341	+1
Bco. Vizcaya	434	
Dragados	136	
Hidrola	78.5	—1.5
Iberduero	92	+0.6
Petroleos	130	
Telefonica	115	

SWEDEN

June 27	Price Kronor	+ or —
AGA	115xa	
Alfa-Laval	185	+1
A-EA (Free)	305	
Astra (Free)	398	+3
Atlas Copco	104	+1
Cardo (Free)	238	
Cellulosa	122	+4
Electrolux B	255	+9
Ericsson	287	+3
Esselte	370	—5
Mo och Domsjo	170	+12
Pharmacia	174	+3
Saab Scania Free	400	—5
Sandvik	365	

CANADA

TORONTO

Prices at 2.30pm June 27

MONTREAL

Closing prices June 26

Sales	Stock	High	Low	Close	Chng
69417	Bank Mont	$29 7/8	29 1/2	29 3/4	+1/4
2400	BombrdrA	$13 5/8	13 1/4	13 1/2	—1/8
20636	BombrdrB	$13 1/4	13	13	
1805	CB Pak	$19 5/8	19 3/8	19 1/2	
6625	Cascades	$14	13 3/4	13 7/8	+1/8
700	CIL	$30 3/4	30 3/4	30 3/4	+1/8
9050	ConBath	$16 1/4	16 1/8	16 1/4	
2935	DomTxtA	$11 1/2	11 3/8	11 1/2	
34361	Gaz Metro	$11 1/2	11 1/4	11 1/2	+1/8
100	MntTrst	$16 1/8	16 1/8	16 1/8	+1/8
27532	NatBk Cda	$20 5/8	20 1/2	20 1/2	
26730	Power Corp	$17 7/8	17 1/2	17 7/8	
7100	RollandA	$21 1/2	21 1/2	21 1/2	+1/2
22866	Royal Bank	$20 3/8	20 1/8	20 1/4	—1/8
1540	RoyTrstco	$21 1/4	20 3/4	20 3/4	—1/2
200	SteinbrgA	$20	20	20	+1/4

Total Sales 7,332,589 shares

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued from Page 47

LONDON

Chief price changes
(In pence unless otherwise indicated)

RISES

Tr 13% 00-03	£118%	+£%
BPB Inds	217	+5
Bell (Arthur)	238	+5
Geers Gross	75	+10
Hogg Robinson	237	+8
Matthews (B)	363	+16
Morceau	230	+13
STC	138	+8
York Trailer	43	+11

FALLS

Allied Colloids	157	—58
BOC	269	—6
Beecham	315	—5
Bougainville	98	—6
Burmah Oil	240	—8
Carpets Intl	50	—5
Cookson	315	—18
Fst Nat Fin Corp.	96	—6
Hawker Siddeley	401	—10
Home Charm	314	—12
LASMO	242	—11
Longton Ind	103	—9
M K Electric	230	—10
Mills & Allen	315	—35
Prudential	637	—20
Rentokil	143	—10
Thorn EMI	358	—17
Tilbury	120	—6
Woodside Pet	72	—5

Indices

NEW YORK

Exchange cross rates

every day in the Financial Times

Prices at 3pm, June 27

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	16	AAR	.48	2.6	14	117	18¾	18½	18⅝	
18¼	9⅜	AGS			12	58	14½	14⅜	14⅜	+⅛
16½	9⅝	AMCA				8	10¾	10⅝	10¾	
21½	13¾	AMF	.50	2.7	56	788	18½	18¼	18⅜	
48⅛	24¼	AMR			11	6847	47⅜	46½	47⅜	+1⅜
22⅞	18⅝	AMR pf2.18		9.8		10	22¼	22¼	22¼	+⅛
14¼	7¾	APL				8	8	7⅞	8	+⅛
61⅛	44⅜	ASA		24.0		237	49¾	49½	49¾	−⅛
27	12½	AVX	.32	2.3	11	363	14¼	13⅞	14	
27¾	16	AZP	2.72	9.8	8	1996	u27⅞	27⅜	27⅞	+⅛
58⅜	36¾	AbtLab	1.40	2.4	17	1765	57⅞	56¼	57¾	−¼
26⅞	18	AccoWd	.50	2.2	17	84	22½	22⅜	22⅜	
24¾	12½	AcmeC	.40	2.5		28	16⅛	15¾	16⅛	+⅜
10½	7⅝	AcmeE	.32b	4.1	10	2	7⅞	7⅞	7⅞	
17½	15	AdaEx	1.92e	11.		54	17¼	17⅛	17¼	+⅛
20	11⅞	AdmMl	.32	1.9	7	9	17	16⅝	17	+¼
19½	6⅜	AdvSys	.53t	4.9	17	34	10⅞	10¾	10¾	−¼
41⅛	22⅛	AMD			11	3059	26¾	26	26⅝	+⅛
12¾	6⅞	Advest	.12	1.4		152	8⅝	8½	8⅝	+⅛
14⅝	9	Aerflex			13	175	14	13⅝	13⅞	
47	27¼	AetnLf	2.64	5.7	34	1354	46¾	46⅜	46½	−¼
37⅜	17⅞	Ahmns	1.20	3.4	14	751	35⅝	34½	35⅜	+⅝
3⅝	2½	Aileen				29	3	3	3	
54¾	36⅝	AirPrd	1.20	2.2	12	1002	u55⅜	54⅞	55⅜	+⅞
24⅜	13	AirbFrt	.60	3.0	11	38	20	19⅝	19¾	−¼
2	1	AlMoa s				71	1¾	1⅝	1⅝	
28¼	21	AlaP pf2.92e		11.		430	28	27¾	27¾	
33⅜	26¾	AlaP pfA3.92		12.		9	32⅝	32½	32⅝	
8⅛	6¼	AlaP dpf.87		11.		22	8⅛	7⅞	8	
103¼	85⅜	AlaP pf 11		11.		z100	101	101	101	
71	56	AlaP pf 8.28		12.		z100	70	70	70	
18⅛	11¼	Alagsc	1.04	6.9	8	3	15¼	15⅛	15⅛	−¼
25¼	9¼	AlskAir	.16	.7	10	578	23½	22¾	23½	+⅝
18¾	10⅞	Alberto s	.36	2.1	20	18	17⅞	17¾	17¾	
33¼	24⅛	Albtsns	.76	2.4	13	524	31⅞	31⅝	31¾	+⅛
31¼	23¼	Alcan	1.20	4.8	12	792	25	24⅝	25	+⅜
37⅛	27⅛	AlcoStd	.20	3.3	13	42	36¾	36	36¾	+¾
32	17	AlexAlx	1	3.4		486	29⅞	29½	29¾	+⅛
26½	20⅝	Alexdr			21	15	23	23	23	−⅛
89½	72¼	AlgCp	2.06t	2.5	25	35	81⅛	80½	81⅛	+⅛
26¾	23¾	AlgCp pf2.86		11.		1	26½	26½	26½	
28¾	18¾	Algint	1.40	6.0		275	23⅝	23¼	23¼	−¼
20⅝	15¼	Algin pf2.19		11.		4	20½	20⅜	20½	+⅛
98	81¾	Algi pfC11.25		11.		25	98	98	98	+¼
34⅜	24⅝	AllgPw	2.70	8.2	9	2751	33¼	32⅝	32⅞	−¼
20⅞	15¾	AllenG	.60b	3.1	14	63	19½	19¼	19½	+⅛
46¾	26¼	AlldCp	1.80	4.2	8	1612	42⅝	42¼	42½	+¼
66	53⅞	AldCp pf6.74		10.		9	64¾	64½	64¾	+⅛
113¼	99	AldCp pf 12		11.		206	111½	111	111¼	−¾
108⅝	100¼	AldC pf 12.31e		12.		4	102¾	102¾	102¾	
23½	15¼	AlldPd			16	5	17¾	17¾	17¾	
59½	40¾	AlldStr	2.12	3.6	9	1302	58⅜	57⅝	58¼	+½
12⅜	5⅛	AllisCh				147	5¼	d5	5⅛	
34⅞	24	AlisC pf				17	34¾	34⅝	34⅝	+⅛
28⅞	20	ALLTL	1.84	6.6	9	391	27¾	27⅜	27¾	+⅜
39⅞	26¾	Alcoa	1.20	3.5	17	1214	34¼	33¼	34⅛	+⅝
22¼	14½	Amax	.20	1.3		740	15⅛	14¾	15⅛	+⅛
40	32½	Amax pf	3	9.0		2	33½	33½	33½	−½
34	22¾	AmHes	1.10	4.0	20	1455	27¾	27⅜	27⅝	+⅛
140½	96⅛	AHes pf3.50		2.9		2	119¼	119¼	119¼	+1¼
2⅜	1¼	AmAgr				356	1¾	1⅝	1⅝	
21½	15⅛	ABakr			8	345	20⅜	19¾	20⅛	−⅜
70	54¾	ABrand	3.90	5.9	9	180	65⅞	65¾	65⅞	
115	56½	ABdcst	1.60	1.4	17	320	113¾	111½	113¾	+¼
27	19½	ABldM	.86	3.2	14	7	26¾	26¾	26¾	
27⅛	20⅜	ABusPr	.64	2.7	14	5	24¼	24	24	
59⅜	40½	AmCan	2.90	4.9	12	174	59⅛	58⅞	59	+⅛
25¾	21½	ACan pf2.80		11.		2	24⅞	24⅞	24⅞	−¼
51½	37	ACan pf 3		5.8		4	51½	51	51½	+½
20⅞	16¾	ACapBd	2.20	11.		75	20⅝	20⅜	20½	
30⅞	25⅛	ACapCv	2.51e	8.6		24	29¼	28¾	29¼	−¼
11	6½	ACentC			213	7	8½	8½	8½	
56½	43⅜	ACyan	1.90	3.8	12	848	50⅜	49¾	50	
27½	18¾	ADT	.92	3.6	26	513	25⅞	24⅞	25½	+1¼
24⅛	16¾	AElPw	2.26a	9.6	9	1195	23⅝	23½	23½	−⅛
49⅜	25	AmExp	1.28	2.7	16	4624	48⅛	47⅝	48	+⅛
22⅜	9¾	AFaml s	.48	2.1	15	291	u22⅝	22⅜	22⅝	+⅜
35½	19⅞	AGnCp	1	2.9	10	1113	34¼	34⅜	34¾	+½
15⅜	6¼	AGnl wt				38	14¼	13⅞	14¼	+¼
55¾	51⅜	AGnl pfA6.24e		11.		57	54⅞	54½	54⅞	+⅜
96½	58¾	AGnl pfB5.87e		6.3		584	93½	93	93½	+2¾
75½	45	AGn pf3.25		4.3		1	74¾	74¾	74¾	+1¼
71¼	40¼	AGn pfD2.64		3.8		70	69⅜	69	69¼	+¾
10⅞	7½	AHoist				16	10⅛	10⅛	10⅛	
66⅞	46¾	AHome	2.90	4.6	13	1448	63¾	63⅛	63½	
39½	26¼	AHosp	1.12	2.8	13	10384	39½	37⅞	39⅜	+1½
96½	64¾	Amrtch	6.60	7.0	9	249	94⅜	94	94¼	+⅛
87¼	52	AInGrp	.44	.5	24	1763	85½	84¼	85½	+1
28⅛	18½	AMI	.72	2.8	12	5302	26	24¾	26	+¼
5½	2⅞	AmMot				715	3⅛	3	3	
29	16½	APresd s	.12i	.6		889	20	19¼	20	+⅝
13⅞	5	ASLFla			6	13	7⅝	7⅜	7⅜	
18½	12¼	ASLFl pf2.19		16.		37	14¼	14	14⅛	+⅛
16	10⅜	AShip	.80	6.0	10	384	13⅝	13⅛	13⅜	+⅜
35⅜	24⅛	AmStd	1.60	5.4	10	215	30	29¾	29⅞	+⅛
67½	30¾	AmStor	.64	1.0	12	321	67	66½	66⅝	+¼
78	46⅛	AStr pfA4.38		5.7		9	77	76½	76½	+⅛
57¼	51	AStr pfB6.80		12.		11	56⅞	56⅞	56⅞	+⅛
24⅝	16⅛	AT&T	1.20	5.1	17	13528	23½	23	23½	+½
41⅜	30½	AT&T pf3.64		9.2		1114	39⅞	39⅜	39¾	+⅛
42	31½	AT&T pf3.74		9.2		57	40¾	40⅝	40⅝	−⅛
27¾	15⅛	AWatr s	1	4.2	8	65	24	23⅝	24	−⅛
28½	19½	AmHotl	2.40	11.	9	66	21¾	21½	21⅝	
71⅝	55¼	ATrPr	5.64	7.9		44	71¼	70¾	71¼	+⅞
17	4⅝	ATrSc				17	15⅛	15	15⅛	+⅛
36	26½	Ameron	1.60	4.6	8	34	34½	34⅛	34½	
50	23¾	AmesDs	.20	.4	23	68	46⅜	46¼	46¼	−⅛
29½	22½	Ametek	.80	3.3	13	118	24¾	24⅛	24⅜	−⅜
28	18⅛	Amfac				258	28	27⅝	27¾	
16	6½	Amfesc			5	10	7¼	7	7⅛	+⅛
69	50¼	Amoco	3.30b	5.2	9	2083	63¾	63⅛	63⅝	+⅝
38½	26⅛	AMP	.72	2.2	20	1476	33¼	33	33	−¼
24	11½	Ampco	.30	2.6	15	14	11⅞	11¾	11¾	+⅛
20⅛	12⅜	Amrep s			10	23	19⅛	18⅞	18⅞	−⅛
34⅝	20⅝	AmSth	1.40	4.1	9	4	34⅛	34⅛	34⅛	
43½	25⅜	Amsted	1.60	4.1	13	71	40	38¾	38⅞	−1¼
4¼	1⅜	Anacmp				391	3	2⅞	2⅞	−⅛
24⅛	16¼	Anlog s			19	85	21½	21⅛	21¼	−¼
30¾	19¼	Anchor	1.48	5.5		441	27	26½	26⅞	+⅜
42⅜	26⅞	AnClay	1.32	3.4	33	598	39	38¾	38¾	−⅛
12¼	9⅝	AndrGr	.20	1.7	15	36	11⅝	11½	11⅝	
24⅝	17	Angelic	.60	2.5	13	142	u24⅞	23⅞	23⅞	−⅜
32¼	20¾	Anheus			12	2820	32	31½	31⅞	
67¼	47⅞	Anheu pf3.60		5.4		5	66¾	66¾	66¾	+⅛
19¾	13½	Anixtr	.28	1.9	16	102	15	14¾	14⅞	
16¾	8⅞	Anthem	.04	.3	14	92	12½	12	12¼	+¼
15¼	10⅞	Anthny	.44b	3.3	8	22	13⅜	13¼	13⅜	+¼

Continued on Page 47

NYSE COMPOSITE PRICES

Continued from Page 46

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
28⅜	17⅝	SDieGs2.24		8.2	9	2750	27¾	27¼	27¼	−½
9¾	6¾	SJuanB90e		9.6	11	545	9¾	9⅝	9⅝	−⅛
11¼	8½	SJuanR			21	152	11¼	11⅛	11⅛	−⅛
61	31	Sandr	.56	1.6	16	951	36	35⅝	35⅞	−⅛
25⅜	18¾	SAnitRt.94		7.9	13	32	24¾	24½	24⅝	
31⅞	20⅜	SFeSoP	1	3.0	14	16865	u33⅜	31⅞	33⅛	+1¼
43⅝	28	SaraLee	1.44	3.4	12	290	43⅛	42⅞	42⅞	−⅛
54½	50¾	SaraL pf3.43e		6.6		40	52	51¾	52	−¾
34¼	27	SgtWel	1.40	4.5	14	1	31⅜	31⅜	31⅜	+¼
18½	14½	SaulRE	.20	1.2	42	35	16½	16¼	16⅜	+⅛
22¼	15⅛	SavEIP1.60		7.5	8	40	21½	21¼	21¼	
[illegible]										

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, June 27

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 45

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Concerted assault on peaks

THE SUCCESSFUL progress of the U.S. Treasury's $17bn refunding programme gave a boost to investors' confidence on Wall Street yesterday, helping the stock market to reach a record level, *writes Terry Byland in New York.*

Bond prices rose by nearly one full point ahead of the auction of $4.5bn in 20-year Treasury bonds, while T-bond rates opened sharply lower after renewed nervousness in the banking sector.

The stock market broke through its previous peak once again within the first half hour of trading as stocks responded to optimism for a solution to the latest impasse in the Senate over budget legislation.

At 3pm the Dow Jones industrial average was up 8.96 at 1,332.77.

This compares with a previous closing peak of 1,327.28.

In the banking sector, nervousness over the losses disclosed in the bankruptcy filings of Hunt International Resources unsettled some stocks. First Chicago, the largest creditor with $81.8m in loans, eased $⅛ to $22. Bankers Trust, with $23.8m in Hunt loans, rallied from Wednesday's fall, rising $1⅛ to $68⅞.

Other banking stocks firmed, J. P. Morgan gaining $⅜ to $50⅜ and Chase Manhattan $⅜ to $59⅞. Manufacturers Hanover at $39 was $⅛ better.

Bid speculation in airline stocks drove the Dow transportation average upwards in early trading. The developments at TWA have focused market attention on the prospects for industry takeovers. With United apparently safe now that it has drained off its surplus pension funds, speculators have turned elsewhere.

Pan American, the most active stock in the market, touched its 52-week peak of $7 before settling at $6⅞, a net $⅛ up with more than 2m shares traded by mid-session.

Among the domestic carriers, American Airlines jumped $1⅛ to $47⅞ but Delta dipped $⅜ to $49, after the board again said it knew no reason for the stock's activity.

Eastern added $⅜ to $6⅞, also on speculative buying. But United at $52⅞ was off $⅜.

AT&T rallied from its weakness since IBM announced its foray into the telephone market. At $23⅛, AT&T was $⅛ higher in average trading.

IBM gained $⅜ to $123⅞ as investors continued to welcome the group's investment in MCI Communications, which gained a further $⅜ to $11. GTE, also a major telephone system operator, dipped $⅛ to $40⅞.

Oil industry stocks were mixed, with Standard Oil of Ohio, controlled by British Petroleum, down $⅜ to $47⅞ after disclosing a $50m charge against earnings. Enserch, the energy group, edged up $⅛ to $25⅞ despite taking a $225m charge.

Exxon added $⅛ to $53⅞ in quiet trading but Atlantic Richfield, still troubled by the unexpected retirement of a top corporate officer, eased $⅛ to $59⅞.

Lower car sales for the early June period continued to hold back motor stocks. General Motors was unchanged at $71¼ although both Ford at $44⅜ and Chrysler at $35⅞ edged forward.

Increased turnover in the stock market continued to boost stocks in the brokerage houses. At $31⅜, Merrill Lynch added a further $⅜, while Phibro Salomon gained $⅜ to $41⅞ in brisk turnover. Quick & Reilly, the discount broker which announced higher earnings for the quarter, was $⅜ better at $23⅜.

Speculative activity in the medical supply group intensified, with American Hospital Supply (AHS) $1⅜ higher at $39⅜ as traders awaited news from the board meeting of Baxter Travenol, which is expected to press ahead with its offer for AHS. Hospital Corporation of America edged up by $⅜ to $49, Reflecting Wall Street's conviction that its agreed merger with AHS will be brushed aside by the Baxter offer.

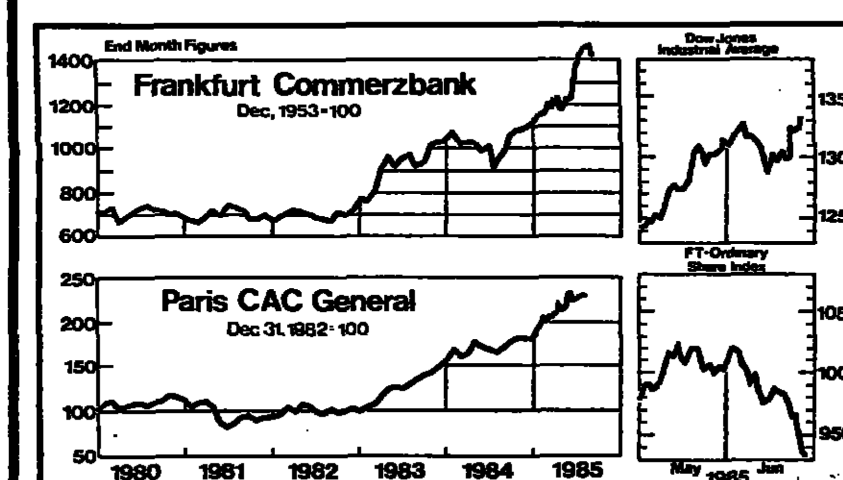
Despite the softening in the dollar, drug stocks were easier. Abbott Laboratories shed $1⅛ to $56⅞ in a spate of profit-taking. Merck resumed its upward track, adding $⅛ to $113.

Chemical issues were in good form as the signs of economic growth raised expectations of increased demand for industrial chemicals. Du Pont added $⅛ to $57⅞, Monsanto $⅜ to $48⅞ and Dow Chemical $⅜ to $35⅞.

Treasury bill yields remained down despite a brief recovery at mid-session. However, commercial money market rates were often higher.

The bond market responded vigorously to the successful outcome of the first two Treasury auctions to be held this week, and 20-year issues were three quarters of a point up ahead of the sale of similar federal bonds. Some Japanese buying was reported, and trading houses were able to reduce the weight of stock acquired last week.

KEY MARKET MONITORS



STOCK MARKET INDICES

	June 27	Previous	Year ago
NEW YORK			
DJ Industrials	1,332.77*	1,323.81	1,116.72
DJ Transport	661.75*	656.48	466.26
DJ Utilities	164.65*	163.83	123.99
S&P Composite	191.27*	190.06	151.64
LONDON			
FT Ord	933.9	936.5	807.1
FT-SE 100	1,234.3	1,236.5	1,038.3
FT-A All-share	594.86	598.14	483.87
FT-A 500	648.25	651.35	527.04
FT Gold mines	432.2	439.0	642.4
FT-A Long gilt	10.58	10.60	10.92
TOKYO			
Nikkei-Dow	12,841.60	12,910.29	10,311.00
Tokyo SE	1,024.0	1,028.30	789.27
AUSTRALIA			
All Ord.	861.6	862.0	650.4
Metals & Mins.	505.6	508.6	413.6
AUSTRIA			
Credit Aktien	102.10	102.29	54.04
BELGIUM			
Belgian SE	2,313.58	2,314.57	—
CANADA			
Toronto			
Metals & Minls	1,884.8*	1,886.6	1,864.0
Composite	2,701.1*	2,704.8	2,210.4
Montreal			
Portfolio	131.51*	131.91	107.79
DENMARK			
SE	n/a	196.76	182.55
FRANCE			
CAC Gen	225.7	228.4	170.0
Ind. Tendance	127.0	128.5	89.3
WEST GERMANY			
FAZ-Aktien	478.15	473.64	347.78
Commerzbank	1,411.2	1,399.7	1,001.8
HONG KONG			
Hang Seng	1,581.70	1,565.19	924.97
ITALY			
Banca Comm.	n/a	337.46	211.43
NETHERLANDS			
ANP-CBS Gen	211.0	210.4	154.7
ANP-CBS Ind	175.0	174.6	123.8
NORWAY			
Oslo SE	321.66	322.21	241.74
SINGAPORE			
Straits Times	785.20	784.27	879.71
SOUTH AFRICA			
JSE Golds	–	1,010.9	961.0
JSE Industrials	–	978.5	936.7
SPAIN			
Madrid SE	105.20	104.99	86.39
SWEDEN			
J & P	1,333.14	1,315.42	1,477.47
SWITZERLAND			
Swiss Bank Ind	443.5	443.3	357.9
WORLD	June 26	Prev	Yearago
Capital Int'l	213.9	213.3	173.8

GOLD (per ounce)

	June 27	Prev
London	$317.00	$317.25
Zürich	$316.00	$317.25
Paris (fixing)	$314.45	$315.03
Luxembourg	$316.75	$315.75
New York (Aug)	$318.80*	$318.70

* *Latest available figure*

CURRENCIES

(London)	U.S. DOLLAR June 27	U.S. DOLLAR Previous	STERLING June 27	STERLING Previous
$	–	–	1.2925	1.2985
DM	3.059	3.043	3.955	3.955
Yen	248.95	248.4	322.0	322.75
FFr	9.3175	9.2725	12.04	12.05
SwFr	2.564	2.5325	3.3125	3.295
Guilder	3.447	3.4345	4.4575	4.46
Lira	1,949.5	1,946.0	2,520.0	2,525.0
BFr	61.6	61.35	79.6	79.55
C$	1.3635	1.364	1.763	1.7664

INTEREST RATES

	June 27	Prev
Euro-currencies (3-month offered rate)		
£	12⁹⁄₁₆	12½
SwFr	5¼	5½
DM	5⁹⁄₁₆	5⅝
FFr	10⅝	10⅝
FT London Interbank fixing (offered rate)		
3-month U.S.$	7⅞	7¹⁵⁄₁₆
6-month U.S.$	8⅛	8¼
U.S. Fed Funds	9⁵⁄₁₆*	7⅞
U.S. 3-month CDs	7.50*	7.55
U.S. 3-month T-bills	6.89*	6.99

U.S BONDS

Treasury		June 27* Price	June 27* Yield	Prev Price	Prev Yield
8½	1987	99¹⁵⁄₃₂	8.796	99⁹⁄₃₂	8.97
11⅜	1992	100²⁹⁄₃₂	10.21	99³¹⁄₃₂	10.40
11¼	1995	105¹⁴⁄₃₂	10.354	105⁵⁄₃₂	10.54
11¼	2015	106¹¹⁄₃₂	10.522	105⁷⁄₃₂	10.664

Corporate	June 27* Price	June 27* Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	101½	9.95	101⅛	10.05
3⅞ July 1990	79⅞	8.90	79½	9.00
8⅜ May 2000	83⅝	11.00	83⅛	11.10
Xerox				
10⅞ March 1993	100⅛	10.60	99⅞	10.70
Diamond Shamrock				
10⅜ May 1993	99⅜	10.70	99½	10.80
Federated Dept Stores				
10⅜ May 2013	91.794	11.55	91.544	11.65
Abbot Lab				
11.80 Feb 2013	101.875	11.50	101.625	11.60
Alcoa				
12⅛ Dec 2012	101.354	12.00	101.104	12.10

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	76–04	76–13	75–28	75–14
U.S. Treasury Bills (IMM) $1m points of 100%				
Sept	92.81	92.76	92.74	92.70
Certificates of Deposit (IMM) $1m points of 100%				
Sept	92.19	92.21	92.13	92.09
LONDON				
Three-month Eurodollar $1m points of 100%				
Sept	91.89	91.91	91.84	91.81
20-year Notional Gilt £50,000 32nds of 100%				
Sept	110–08	110–15	110–07	110–11

COMMODITIES

(London)	June 27	Prev
Silver (spot fixing)	472.80p	475.35p
Copper (cash)	£1,085.75	£1,096.50
Coffee (July)	£1,943.50	£1,925.50
Oil (spot Arabian light)	$27.15	$27.15

LONDON

Late upturn from six month low

THE DECLINE in London equity markets continued yesterday with cash shortages caused by over-funding further depressing activity.

By mid-afternoon share prices were at their lowest level since December 13. However, a late recovery edged prices higher and left the FT Ordinary index to close down 2.6 at 933.9.

Gilts were firm, backed by continued gains by sterling, and longer-dated issues were up to ⅞ in places.

Chief price changes, Page 45; Details, Page 44; Share information service, Pages 42-43

HONG KONG

MARKET speculation that Swire Pacific planned to sell a recently-acquired development site primed an advance in Hong Kong that took the Hang Seng index up 16.51 to 1,581.70.

The company had no immediate comment on the rumours but its shares advanced 50 cents to HK$24.

Hongkong Land put on 15 cents to HK$5.80 in response to Wednesday's announcement that it was to sell its trading operation in Singapore to Cold Storage.

SINGAPORE

SOME short covering, after the previous day's falls, left Singapore to close mixed in lethargic trading on the last day of the monthly account.

The Straits Times industrial index edged just 0.93 ahead to 784.93.

Among actively traded stocks, Sigma gained 5 cents to S$2.25 and Pan Electric 2 cents to S$2.32. Sime Darby was 1 cent ahead at S$1.97.

Cold Storage rose 3 cents to S$2.55 after its purchase of Hongkong Land's trading operations in Singapore.

SOUTH AFRICA

THE continued absence of incentives to buy left Johannesburg gold stocks to close at their lows for the day.

Kloof shed R1 to R79 while among the cheaper priced producers, Loraine was 25 cents lower at R9.40. Other sectors were little changed. Among platinum stocks, Impala eased 5 cents to R18.80, while Rustenburg was 5 cents higher at R15.90.

AUSTRALIA

A DEPRESSED resources sector, in the wake of lower copper prices, was particularly offset by buoyancy among industrial stocks in Sydney, leaving the All Ordinaries index 1.2 lower on balance at 861.7.

Allens, the subject of an improved A$4.65-a-share offer traded 2.5m shares, gaining 10 cents to A$70.

Myer Emporium was also actively traded, adding 12 cents to A$2.40. Strong foreign demand was reported, on expectations of a bid for Myer.

CANADA

A LOWER trend emerged in Toronto in moderately active trading. Canadian Pacific traded C$⅜ lower at C$19⅞ in continued reaction to the sale by its single largest shareholder Power Corp, of its 6 per cent stake.

Canamax Resources was C$⅛ easier at C$6 after announcing that the latest drill holes at its Ontario gold project had produced poorer results than earlier tests.

Montreal was also marginally lower.

EUROPE

Frankfurt regains composure

COMPOSURE returned to trading in Frankfurt yesterday as domestic and foreign investors again asserted control and averted a further erosion of the steep, two-month advance.

The Commerzbank index recovered 11.50 to 1,411.2. Yesterday, the bank restated Wednesday's loss as 33.50, not 60.30 as previously announced.

Banking and motor stocks remained the centre of activity and were of particular interest to foreign investors.

Dresdner again showed the largest price fluctuation, adding DM 15 to DM 244, while Commerzbank firmed DM 6.50 to DM 202.50 and Deutsche Bank 50 pfg to DM 587.50.

All automotive stocks returned to favour after Wednesday's heavy selling. Volkswagen firmed throughout the day to finish at a high of DM 315 while BMW rose by the same amount to DM 434, Daimler-Benz DM 4 to DM 833 and Porsche DM 20 to 1,476.

Allianz also rebounded with a DM 42 increase to DM 1,517, but was down from its high for the day of DM 1,530.

Holzmann which fell heavily on Wednesday following news of expected lower earnings this year returned strongly with a DM 57 jump to DM 462.

BASF's statement that it expected improved results during the current year pushed the shares up DM 2.10 to DM 226.70 and AEG also benefited from favourable corporate news with a DM 6 rise to DM 143.

Engineering stocks were also well supported. Linde closed DM 10 higher at DM 520, Mannesmann DM 3 to DM 186 and GHH DM 3.30 at DM 168.

Bonds were generally firmer, with some small isolated declines. The Bundesbank sold DM 38m worth of domestic bonds after purchases worth DM 41.3m on Wednesday.

Zurich was active with continued heavy buying in the banking sector aiding the achievement of the second consecutive record by the Swiss Bank industrial index.

As most leading issues forged ahead, the index added 1.60 to 443.50. Among the banks Bank Leu firmed SwFr 65 to SwFr 3,940, Swiss Bank SwFr 12 to SwFr 448, Swiss Volksbank SwFr 12 to SwFr 1,700 and Crédit Suisse SwFr 10 to SwFr 2,870.

Foreign buying interest was behind much of the support for banking stocks which also flowed over into the insurance sector, although prices movements among these were smaller.

Swissair led a generally stronger transport section with a SwFr 50 improvement to SwFr 1,340.

Trading on the bond market was thin with many traders out of the market.

After a weak opening, **Amsterdam** prices recovered ground in response to encouraging domestic and international news.

Amro's plans to take over European Banking Company injected life into the entire sector. Amro firmed 70 cents to Fl 78.10 while ABN was Fl 2.50 higher at Fl 257.50.

Among other major groups, Unilever turned its Fl 1.10 opening loss into a rise of 50 cents to Fl 351 and Akzo and Royal Dutch/Shell each firmed 60 cents to Fl 107.50 and Fl 197.40 respectively.

Insurers moved against the trend and were marginally lower in light business. Aegon was down 70 cents to Fl 94.30 and Amev gave up 50 cents to Fl 246.50.

There were widespread falls in **Paris** as buying interest abated despite continued general optimism about business prospects, reinforced by the latest monthly survey from the National Statistics Institute.

By the close of trading advances outnumbered declines by 131 to 39, while the CAC index was down 2.7 to 225.70.

The construction sector felt the weight of selling, with Bouygues falling FFr 9 to FFr 805 and Lafarge Coppee FFr 20 to FFr 534. Michelin continued to decline and closed FFr 24 lower at FFr 1,186 while Peugeot eased FFr 12 to FFr 403.

Trading in **Brussels** was quiet with price movements confined to a narrow range.

Petrofina fell for the second consecutive day amid continuing concern about the world oil price. The shares eased BFr 30 to BFr 5,640. Utilities were lower with Ebes down BFr 35 to BFr 2,935 and Intercom off BFr 5 to BFr 2,130.

Stockholm recovered some of the ground lost during recent weeks on increased turnover. The Veckans Affarer index moved to its highest level for two weeks with a 6.3 rise to 457.8.

Electrolux led the advance, firming SKr 9 to SKr 255 and Pharmacia was also heavily traded as it added SKr 3 to SKr 174.

Milan continued to edge lower as profit-takers remained active.

Madrid firmed marginally after several weaker sessions.

TOKYO

Decline as profits are taken

MEDIUM and low-priced stocks encountered profit-taking in Tokyo yesterday, pushing prices down across a broad front, *writes Shigeo Nishiwaki of Jiji Press.*

There was little interest in large-capital issues and many blue chip and high technologies lost gound.

The Nikkei-Dow market average, which hit a record on Wednesday, plummeted 137 at one point but closed a net 68.69 lower, the first decline in five sessions.

Volume dropped from 646.59m shares to 358.01m. Losers outpaced gainers 465 to 320, with 137 issues unchanged.

Only a handful of stocks were in demand. Ube Industries added Y25 to Y260 and topped the active list with 30.09m shares changing hands. The company's reported development of a rheumatism treatment provided the impetus.

Meiji Milk Products, added Y4 to Y500 on reports of its new mass-production technology for a hepatitis B vaccine.

Investors bought Konishiroku Photo Industry, pushing it up Y12 to Y718, ahead of its launch of a colour copier later this year. Mitsuboshi Belting, which developed a belt for continuously variable automobile transmissions, closed Y17 higher at Y663.

But Keisei Electric Railway eased Y11 to Y462 on the second heaviest trading of 9.17m shares. Taiyo Fishery and Teijin also dropped Y2 to Y312 and Y6 to Y485, respectively, while Snow Brand closed Y15 lower at Y555.

Some broking houses and non-life insurances, which had gained sharply on Wednesday, declined. Nomura Securities lost Y30 to Y1,290, Taisho Marine and Fire Y9 to Y588, and Tokio Marine and Fire Y5 to Y935.

As for blue chips, Hitachi and Sony declined Y8 to Y733 and Y10 to Y4,080, respectively. Nippon Kogaku suffered a Y40 drop to Y1,130.

Bond prices gained sharply in active trading as expectations of a drop in U.S. interest rates grew. The yield on the 7.3 per cent government bonds, maturing in December 1993, dropped from 6.450 per cent to 6.425 per cent, matching the all-time low registered on June 22.

FINANCIAL TIMES SURVEY

ISLE of MAN

Among today's offshore financial centres, the Isle of Man has good potential for expansion. The island's infrastructure of professional services for the financial sector is undergoing continual development

New mood of confidence

By IAN HAMILTON FAZEY

THE CASE for the Isle of Man is summed up emphatically by its Banking Inspector, Mr Jim Noakes. It is simply that world markets need respectable offshore satellites of the three major financial centres of London, New York and Tokyo. The Isle of Man, he says, is the only one left with real room for growth.

Recovery of respectability has been one of the principal fruits of Mr Noakes's presence on the island. He was brought in from the Bank of England after the Savings and Investment Bank collapsed three years ago with £40m of depositors' money.

The official report on the SIB is now in the final stages of completion. If publication does not take place later this year, sources close to the decision-makers suggest that it will only be so as not to prejudice possible litigation against people involved.

But whether the truth emerges through the courts or through publication, the majority view at ministerial and senior government official level seems to be that final catharsis should occur openly to complete the rehabilitation of the island's image.

The Isle of Man can afford this exposure because of what it has done to prevent recurrence. Inspection has been improved and the infrastructure of professional services for the financial sector has been undergoing constant development. Auditors, for example, now have to be big enough to afford the premiums on a £10m indemnity for banking clients and a £5m one for insurance customers.

There has been an embargo on new banking licences since the SIB crash. Only those with a good, sound name need apply, says Mr Noakes. Clydesdale has recently been granted a deposit-taking licence.

Other leading names are likely to follow, but the resumption of growth will be calculated and careful.

These developments enabled the Isle of Man Government, under Dr Edgar Mann—who is its new chairman of executive council and in effect, the island's "prime minister"—to send a high-powered delegation to New York last month to sell the case for growth as an offshore centre.

Wide interest

By all accounts, Mr Noakes was one of the star performers, along with Dr David Moore who, as Dr Mann's successor in the chair of the island's Finance Board, is the Manx equivalent of the British Chancellor of the Exchequer.

Dr Moore says that a seminar, held for 65 people, who had been carefully selected from an over-subscribed rush for tickets, has led to several very promising inquiries. Mr Noakes says: "The message we were giving was something they found difficult to believe. They could not understand why such an island had not been developed. They wanted to know what the drawbacks were."

But even the drawbacks were sold as assets. MrNoakes says: "There is only a small pool of experienced people, there is a shortage of first-class office space and hotels, and an underdeveloped professional infrastructure. But if we had these things now, we would not be offering all the space and other things we have so much of.

"New York, Tokyo and London all need offshore satellites. London has the Channel Islands and the Isel of Man, but the Channel Islands are full up.

"If you look round the world at existing offshore centres and hope to find political stability, the English language, a strong base of common law, low costs, availability of work permits, an absence of artificial restraints, good communications, room to develop and geographical proximity to one of the three major financial centres, then the Isle of Man comes out at the top of the list."

Disenchantment with the Caribbean, particularly after recent drugs scandals, has prompted some American financial services companies to start looking hard for alternatives. And although some on the island have worried that the S.I.B. would become a cross between a spectre and an albatross to haunt and drag them down, there have been far more significant and recent banking collapses in London, Hong Kong and the U.S.

Bullish elements on the island point out that these happened in well-regulated places. At the time of the S.I.B. collapse, the Isle of Man had only part-time supervision. The supervisory machinery now in place and the quality of its staff — plus the fact that the Manx Government has spent £1m on the S.I.B. inquiry so that lessons can be identified and learnt — are all seen as key points when selling the island's potential in world financial markets.

If this makes it look as though the financial services sector is assuming an ever-increasing importance in Manx life, then that is because it is true. As never before on the island, people are bowing to the facts and the trends: finance is now the biggest single money-earner for the economy, contributing 21 per cent.

The manufacturing sector is less than two-thirds of this size, providing 13.7 per cent of income. Tourism is showing a decline at 10.8 per cent, slightly ahead of construction at 10.4 per cent. Public administration is under 8 per cent and miscellaneous services together bring in 35 per cent.

All this is among a population of just under 65,000, whose gross domestic product is only £162m and Gross National Product just over £195m.

Although great incentives are offered to attract manufacturers to the island, there is a limit to what it is practicable to manufacture there. Much established industry is light manufacturing, concerned with high value-added goods that are small or light enough to be exported as air freight. These products are made by small or highly mechanised companies and do not create many jobs.

Expanding financial services, however, will bring employment. Many of the jobs will be in areas such as information technology and will fit in with the view of an increasingly large group of Manx opinion leaders that the long-term aim should be a high-wage, high-technology economy.

At present, average income is only 70 per cent of the UK's. It used to be fashionable to laud this as an indication of cheap labour costs for manufacturers, but that has ended: potential disparity with the earnings power of those in the financial sector is unlikely to be good for the long-term political stability needed to encourage financial sector growth.

Politics at the moment are not just stable, but in near stasis. This is because the 24 members of the House of Keys—the Lower House of Tynwald, the Manx Parliament — face a general election in November, 1986. Since they sit as independents — there is no party system — they fear to bind their successors.

Unpopular or potentially divisive measures will not even be considered before the election, though some, such as the abrogation of the customs agreement with the UK, are likely to become key election issues.

Key areas

So might the style in which the island is managed. At present this is via a series of boards covering such fields as finance, industry, tourism, harbours and the like. Though linked through the island's executive council, each is largely autonomous. Dr Mann, the new head of Government, sees a progression towards better co-ordination as a first step towards a cabinet system.

This would give greater thrust to Government and policy-making and take the island away from the present system, which inevitably ensures that only the simplest, most uncontroversial things are ever agreed quickly. The main consequence in some key areas has been drift and uncertainty. Many realise that this will not help the island's development in international markets.

Many people on the island would have liked to have seen it stay an undeveloped, unspoilt anachronism in the middle of the British Isles, but even most of them acknowledge that things could not have gone on like that for long. With tourism declining and diminishing job opportunities, emigration of the talented young would have accelerated. The economy, with nothing to grow on, would have fallen into a downward spiral.

What concentrated everyone's mind was the SIB collapse. The Manx people are overwhelmingly honest, fair and not used to the odium that followed. Putting matters right forced fundamental reassessment of what the island stood for and where it is going.

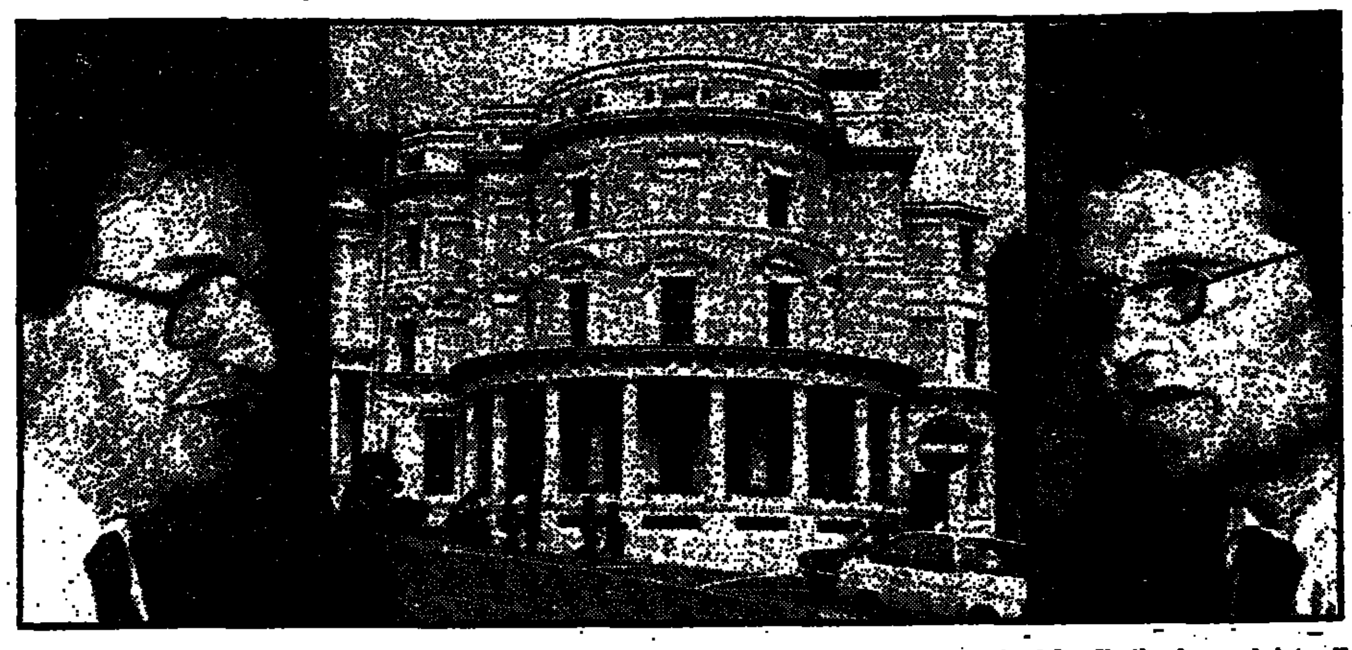
The inevitability of change and the need to control it was never more obvious. Yet only four or five years ago there was still a strong element of isolationism apparent. This is why the island is so underdeveloped. If visitors — or anyone else for that matter — were uncomfortable, the attitude was straightforwardly one of: "If you don't like it, there's a boat for Liverpool at nine o'clock every morning."

It was then inconceivable that by the summer season of 1985 the boats would no longer be going to Liverpool, but to an obscure harbour in north Lancashire — and not even at 9 am.

But there is now in the island's atmosphere a new, emergent confidence. Optimism has replaced the sometimes cynical, neo-Celtic fatalism that was more readily apparent before.

One result of it all is that people — including the Lieutenant-Governor — have lately been warning each other in public to beware the Manx crab. This derives from a modern fable of Manx fishermen who, when warned by visitors that some crabs in the quayside market had climbed halfway out of their buckets and might escape, replied that Manx crabs never let such things happen. The rest would pull the climbers back to assure their mutual destruction.

Courageous Vikings, not crabs, are what the island needs now.



Dr Edgar Mann (left), the new chairman of the Executive Council and, in effect the island's "prime minister" and (right), Mr Jim Noakes, Banking Inspector. The Government Buildings (centre) at Douglas houses the Tynwald or island parliament.

After three years, 4,000 depositors await full details on Savings and Investment Bank's collapse.

Creditors' concern over delayed reports

Aftermath of the S.I.B. crash

MARGARET HUGHES

IN THE Tynwald (Parliament), earlier this month, Dr Edgar Mann, chairman of the executive council, was asked when the report of the Court-appointed inspector into the affairs of the collapsed Savings and Investment Bank (SIB) would be completed. He was also asked when it — and the report into banking supervision, undertaken by officials seconded from the Bank of England—would be published.

The same questions had been asked in the Tynwald a year previously and Dr Mann said that his answer would be much the same as it was then. The report had not been finished. But whereas last time he had predicted that it would be completed by the autumn of 1984, this time he was making no forecasts. There was, he said, "no certainty" of when it would be finished.

Completion of the report was, he claimed, the responsibility of the High Court, rather than the Manx Government. But, Dr Mann added, there was "no doubt" that the report would be published with, he said, that prepared by the Bank of England officials.

Depositors who had invested some £42.2m in SIB at the time of its collapse, just over three years ago, have been anxiously awaiting the publication of the reports which they hope will assist them in bringing their claims against the Government for their failure to adequately supervise the bank.

Given the Government's failure so far to publish the report prepared by Bank of England officials, despite the fact that it was completed at the end of 1982, depositors have become increasingly concerned that the Manx Government will never release its contents because it may be too critical.

Dr Mann's predecessor has said earlier that it would be "inappropriate" to publish the banking supervision report ahead of the inspectors' report. Even Dr Mann, whilst saying that he sees no reason why the report should not be published, feels that it is "not terribly relevant to the public."

Aggravation

The 4,000 or so creditors, a third of whom were small depositors, are convinced that the banking supervision report will provide them with the evidence they need to prove their cases against the Government. They base this belief on the fact that since the completion of the report, banking supervision has been substantially tightened. A former Bank of England official, Mr Jim Noakes, has been appointed as Banking Supervisor.

Although Dr Mann stated that both reports would eventually be published, his inability to give any assurances in the Tynwald earlier this month as to when this would be, has further aggravated the depositors. Many of them have already accused the Manx Government of a "cover-up" and demanded the resignation of several officials, including the Treasurer, Mr Bill Dawson, whose department was responsible for the banking sector.

Isle Of Man deposit base

Figures in £m

	Sterling	Non-sterling	Total	% change
December 31 1978	342	10	352	—
December 31 1979	511	19	530	51
December 31 1980	692	51	743	40
December 31 1981	912	120	1,032	39
December 31 1982	1,013	197	1,300	26
December 31 1983	1,336	263	1,599	23
December 31 1984	1,685	345	2,030	27

Such is the frustration of the depositors, whose total deposits at the time of the collapse amounted to £42.2m, that they are now expected to step up their pressure with a likely pooling of resources by the main claimants.

Although there have been disagreements in the past between different groups, a greater cohesion has begun to emerge in recent months, coupled with increased activity on several fronts. There is now a growing view that depositors have sufficient evidence to bring successful cases against the island's Government without needing to await publication of the relevant reports.

One depositor, Coltsfoot, has already filed a suit against both the auditors—Clarke and Rayton—and the Government. Coltsfoodfi a private investment company reprsenting several businessmen, is owed £322,000 by SIB. A group of some 300 depositors, led by Mr Ken Potts, which has been the most active of the pressure groups, is negotiating with Coltsfoot and its lawyers with a view to taking joint action.

Mr Potts' group has become increasingly frustrated in their attempts to bring a case against the government although some depositors within this group including Mr Potts, who is owed £388,000 have filed a suit against the auditors as have a separate group of three depositors, owed collectively £583,000 based outside the Island of Man and so too are the liquidators.

Mr Potts' group has been waiting on both the publication of the two reports and a response to their request for the release of an advance of their due dividends from the pool of funds which the liquidators have already recovered. So far, the liquidators have recovered around £4m, but almost half of this has already gone in the liquidators' own fees and other legal costs.

The liquidators—Mr Michael Jordan of Cork, W. H. Gully and Mr Tim Beer of Peat Marwick Mitchell—after applying to the Court for instructions, have now offered the depositors a sum of £20,000, after the depositors rejected the first proposal of £10,000. The depositors, however, regard this sum as "derisory" given that their legal advisers have indicated that to bring a case through the courts and, if necessary, to appeal and the Privy Council would cost nearer £0.5m.

Rejection

The liquidators have recently written to all SIB's depositors asking them for their views on a joint action and on the disbursement of the £20,000 on a *pro rata* basis. But given the limited funds which are being made available to them, and with no immediate prospect of the two reports being published, the main depositors groups are now likely to throw in their lot with Coltsfood.

In the meantime a Panamanian registered company, SIB Depositors Recoveries, established by Mr Jurgen Mossack, a lawyer, has been advertising in the Manx Press to all SIB depositors. SIBDR, the advertisements read, has been established so that depositors can combine together to pursue claims for the recovery of their deposits "without having to provide further finance for legal costs."

Legal advisers to the Manx Government have indicated that no case would be regarded as a test case for establishing liability for others. The potential legal costs for any depositor in bringing action against the government, would thus be onerous. Many of them are virtually pennyless as a result of the SIB crash.

Because SIBDR is incorporated in Panama, the action can be undertaken on a contingency fee basis whereby: as in the U.S., the lawyer takes his fees on an agreed percentage of any net sum recovered, only if the action is successful. Any depositor responding to the advertisement would be informed of the likely cost of a successful action. SIBDR claims to have sought English counsel's advice, which is available for inspection to any bona fide SIB depositor. This concludes that there is a "very reasonable" prospect of success, and it is not dependent on the publication of the two reports.

Depositors would have to assign the benefit of their deposits and associated rights of action to SIBDR which would hold them "on trust." If the response is insufficient to warrant joint action then these rights would be reassigned to the depositors who are urged in the advertisements to take independent legal advice before responding.

A. H. Simcocks, the Manx-based lawyers who have been engaged by SIBDR to process the initial responses, told the Financial Times that neither Mr Mossack nor SIBDR were SIB creditors, nor did they have any links with SIB or its former directors or shareholders. They also claimed that any funds recovered as a result of a successful action would not be transferred to Panama, but distributed to depositors from the Isle of Man.

According to Simcocks the response to the advertisements had been "good" and were still coming in.

The Manx Government is covered by indemnity insurance which would cover such action by depositors, although the value of this cover is not known. In an interview with the Financial Times, Dr Mann, who at the time of the SIB collapse was chairman of the finance board (the equivalent of chancellor of the exchequer), acknowledges that a "fair percentage" of people felt that the Government ought to have been aware of the problems at SIB, but he contends that once the problems were known, the authorities had acted "swiftly."

Difficulties

In response to criticism that the Manx Government could have done more since the crash to help the smaller depositors, Dr Mann said that he had felt that this was "very desirable" but that his attempts to do so had failed because he had been unable to persuade financial institutions on the island to put up the necessary funds, estimated at the time to be £3m. The use of government funds, even as a guarantee, had been ruled out because this would involve taxpayers' money. The majority — numerically — of Manx taxpayers had not been SIB customers and could not, therefore, be expected to foot the bill.

Indeed, he said, many Manx citizens, including some in the island's Government, believed that those who had been attracted by SIB's higher rates of interest should accept that this also usually carried higher risks. But, as its competitors point out, SIB did not in fact offer appreciably higher returns. Many of the local depositors say they put their money with SIB because it was the only Manx-owned high street bank, whilst some depositors claim that Government officials actually directed them to the bank. This is why they feel particularly aggrieved by what they see to be the Manx government's failure to assist them, following the collapse.

Bank deposits show substantial increase

Strong confidence in new bank controls

Banking supervision

MARGARET HUGHES

"I DEFY anyone to find a safer offshore banking centre than the Isle of Man." These are the words of the island's new banking supervisor Mr Jim Noakes, a former Bank of England official who used to be adviser to the Governor of The Monetary Agency of Bahrain which has its own offshore banking operations.

Mr Noakes was appointed to his present position following the collapse of Savings and Investment Bank (SIB) in June, 1982, which led to strong criticism of the island's banking supervision.

Today, no other offshore centre in the world, in Mr Noakes' view, offers the same combination of political stability, clear banking supervision, common law, based on the English system, low operating costs and above all the potential for growth as the Isle of Man.

All the major financial centres—London, New York and Tokyo—need their satellite offshore centres. And whilst London already has well established centres in both Jersey and Guernsey they are suffering "the problems of their own success," namely that they are already full and the scope for expansion relatively small. Banks and other financial institutions now find it difficult to get in while the cost of offices, staff and housing is high.

Regulations

He is satisfied that banking supervision in the Isle of Man is now second-to-none, so much so that some members of his financial community, particularly the offshoots of the major UK banks, consider the regulation to be a little too tough.

To the banks operating in the Isle of Man Mr Noakes is seen very much as the guardian angel who will protect both the island's and their reputation and prevent any further debacles like SIB. Several banks left as the tighter supervision began to bite, some to collapse later elsewhere like Kingsnorth and Irish Overseas Bank in Anguilla.

While Mr Noakes is confident that banking supervision is as tight as it can be he also recognises that no system is foolproof against fraudsters.

Since his arrival the island's 1975 Banking Act has been tightened up but the changes he says have been relatively few. The main impact has been in the enforcement of existing regulations. He points out that when the island's Banking Act was introduced in 1975 it was in content "far in advance" of anything available elsewhere.

To Mr Noakes, the main vehicle for exercising control are the new licence conditions and guidance notes which he has introduced which give him the flexibility to adjust regulations to the changing environment.

While satisfied with the level of supervision of both the banking and insurance sectors he would like to see the same standards applied to investment houses and those offering company formation and management services.

This, he considers to be "critical" and is therefore anxious that the government addresses the situation since in his view, it carries "the seeds of tremendous damage" to the island's reputation.

The SIB collapse and its continuing ramifications do not appear to have had an adverse impact on the island's present banking business. Although small beer compared with Jersey and Guernsey, where bank deposits in the last financial year were respectively £19bn and £5bn, bank deposits in the Isle of Man are nonetheless showing substantial rises.

Although growth is not of the same order as the pre-SIB days, deposits have nonetheless risen by 26 per cent, 23 per cent and 27 per cent respectively in the last three years to £2.03bn at the end of last year. In the first quarter of this year they are understood to have risen by an annual rate in excess of 30 per cent.

Since then the Isle of Man has benefited for the switch offshore of deposits by non-taxpayers since the requirement introduced in April for banks in the UK to deduct tax at source from depositors' income. But Mr Noakes says the impact has been far less than it has been in the Channel Islands.

Mr Noakes sees particular potential for the Isle of Man for the unglamorous, but essential, back-room operations to service retail banking operations.

There has been a moratorium on banking licences since March 1983. At present there are 43 licensed banks and five licensed deposit takers. But Mr Noakes indicated that this is being lifted for top name banks and licensed deposit takers.

Key factor

He said that three new licences are being granted. One of these is to Clydesdale Bank which says that a major motivation for setting up on the island is the recent CRT changes in the UK. Another group which is about to set up in the Isle of Man is the Oppenheimer fund management group. Both will operate as licensed deposit takers.

The island is keen to attract other internationally established names. Hopes that a U.S. bank may set up an operation on the island have been hightened by the first ever Government promotional visit to New York in which Mr Noakes participated last month and will shortly be following-up. A similar initiative is planned for Hong Kong while Mr Noakes, with his own Middle East background is hopeful of attracting Arab banks to the island.

Mr Noakes is also anxious to lessen the island's dependence on the UK. Sterling deposits still account for a far higher proportion of total deposits than in the Channel Islands. Last year, sterling deposits still accounted for 83 per cent of the island's bank deposit base, so the potential for diversification, he argues, is tremendous.

He also wants to see British building societies open subsidiaries on the island. (The Tynwald is due to pass new legislation for this by the end of this year). The Halifax and Leicester attempted to do so two years ago, but were blocked by the Chief Registrar of Friendly Societies and the Inland Revenue. But from April next year they will be allowed to pay interest gross to non-UK residents and, although it is yet to be clearly establised, societies anticipate that the new UK legislation, due to come into force in early 1987, will allow them to open up on the island.

International link-ups increase steadily

Professional infrastructure

IAN HAMILTON FAZEY

WHEN Breadner Moorhouse, a small but expanding island firm of chartered accountants, decided it was time to join a rather larger league, the partners found no end of suitors.

It is a sign of the times on the Isle of Man that four of the "big eight" accountancy companies all proposed marriage, if not merger. In the end Breadner Moorhouse turned them all down—it had already set its cap after a fifth of the giants, Coopers and Lybrand.

A year ago, the practice became a Coopers and Lybrand associate. Since then, both firms have had a good look at each other and the islanders have proved themselves up to exacting professional standards.

The result of this trial marriage is that Breadner Moorhouse is now no more. It has become a full member firm of the international group and now practices as Coopers and Lybrand on the island.

There are other signs of development in the Manx international financial infrastructure. Arthur Andersen announced that it is setting up on the island, too. Meanwhile, they all have a way to go to catch Peat, Marwick, Mitchell and Company, and Touche Ross, both of which have resident partners in Douglas.

Peats has been on the island 12 years though, until the arrival of Mr Peter Pell-Hiley, it was run as a small offshoot of the Liverpool office.

"We took a conscious decision three years ago to increase resources," he says. Local staff has since quadrupled to 20.

With particular corporate strengths in servicing banking and insurance clients, Mr Pell-Hiley hopes to pick up considerable business as the financial sector expands. He has already done the island a considerable service by producing what is probably the most straightforward booklet explaining the Manx constitution, legal and tax systems. More than 1,500 have gone to selected Peats clients, worldwide.

It even rivals the excellent publication of the island's biggest accountancy practice, Pannell Kerr Foster, whose local founder was the Liverpool liquidator of Dumbells Bank, which collapsed in 1900. Pannell's worldwide group ranks only in the mid-teens of the size league, but senior partner Mr James Cain sees the influx of four of the big eight, so far, as good for everyone and certainly as no threat.

He says: "Growth of the financial sector will be in part dependent on growth in the professions. Members of the big eight will only move to a location if they can see prospects of growth. It will be good for us too."

Pannells has been growing, anyway: there were 10 staff in 1954, 18 ten years later but 70 now, including eight partners. Inevitably, the firm now faces competition for Manx public sector audits, where it has long reigned supreme, but it has a depth of local knowledge and facilities that are a formidable strength.

Touche Ross's resident partner, Mr David Burton, says: "We were setting up in virgin territory and it was regarded as a brave move. But we had done our homework. We have a widening net of contacts and are growing."

The value to the infrastructure of the accountancy giants was demonstrated this month when Mr Burton ran a seminar on the European Community, flying in Touche Ross's director of European affairs, Mr John Drew. This attracted about 100 Manx political, civil service and business leaders and seems to have clarified a great deal of thinking.

However, a greater value was apparent in the Government mission to New York when Mr Burton and Mr Pell-Hiley spent a lot of time in their firms' offices selling the advantages of the Isle of Man for American clients. Mr Stephen Moorhouse recently did similar services in Coopers and Lybrand offices in South East Asia.

Requirements

Manx financial supervision requirements now include auditors' indemnity insurance of up to £10m, so only the larger firms are likely to be able to bid for much of the business the island is now hoping to attract. A lot of it could well come out of their international client networks.

Development of the other arm of the professional infrastructure the law—is less obvious, however, but pressure to change is mounting from within government. At present, the 37 Manx advocates—they practise both as solicitors and barristers—are a closed shop, jealously guarding against incursion by lawyers from other jurisdictions. Wide experience of international corporate and taxation law is an acknowledged lack.

The need to allow outsiders in has been pressed now in several official reports and criticism of this gap in the infrastructure is widespread among the supporters of a developing financial sector. Apart from anything else, there is likely to be too much for the tiny legal sector to cope with.

Better training of lawyers is also being considered and the attorney general has recently been discussing this with Lancashire Polytechnic's Law School.

Meanwhile, British Telecom has continued to develop the electronic infrastructure, with first-class telephone facilities, though the island has yet to get its own packet switch stream exchange for local access data transmission, relying on the costlier telephone link to Liverpool.

However, local access to Prestel has just opened up, among the first beneficiaries being the legal database, Lawtel, whose creator is Mr Gerald Impey, a retired barrister who lives on the island.

The database, which is gradually expanding to cover all British, Commonwealth and Manx law is becoming one of the most important in the world.

Mr Impey, who has not been able to stop work since he started it up four years ago, after taking a computer course, expects to gain from the growth of the Manx financial sector, too.

FINANCIAL INCENTIVES

THE MAIN incentives offered by the Isle of Man are:

- A single rate of 20 per cent for income tax on individuals and companies.
- No capital taxation.
- Flat rate company registration tax of £250 a year on companies registered on the island but neither resident or controlled there.
- Up to 40 per cent grants towards capital investment by companies.
- 100 per cent capital allowances.
- 100 per cent allowance of all self-employed national insurance contributions for income tax purposes.
- Tax holidays for up to five years for new companies. This new provision is an alternative to capital grants and is aimed at companies which may become profitable quickly and require little capital equipment.
- A freeport. Although mooted ahead of UK counterparts, progress has been slow. Development is now with British Land.
- No composite rate tax (CRT) on bank deposits.

Moves to set up an insurance exchange

DUNCAN NEIL wants an insurance exchange established on the Isle of Man. He expects the idea to meet hostility in the City of London but hopes that it will nevertheless receive serious attention when the initial fuss has died down.

Mr Neil is no crackpot with a half-baked idea. He is the island's insurance supervisor, brought in at the same time as Mr Jim Noakes, the banking supervisor, to tighten official inspection in the financial sector.

His own background involved the Mega-risks of the international chemicals industry. He thinks that the Isle of Man could become an important world centre for exactly that sector, together with the insurance of other technology projects, such as launching satellites.

Behind the idea lies what he believes to be a weakness in the London insurance market, where the taking of profits—or losses—year by year works against the build-up of what he calls "catastrophe reserves."

Insurance companies in the Isle of Man can take advantage of the 1981 Exempt Insurance Companies Act. This exempts them from tax on risks written outside the island and includes profits from underwriting or investment income. Distribution to outside shareholders can also be made without deduction of Isle of Man witholding tax.

Offering more flexibility

Combined with new island legislation, scheduled for this autumn, which will make it possible to establish an insurance exchange, catastrophe reserves could be built up over 10 year periods without underwriters and members of insurance syndicates noticing much, if any, effect on their net profits.

They would in fact be built up from tax-exempt gross profits.

The insurance exchange would, in effect, be a local market capable of great flexibility in handling complicated "mega-risk" business.

Mr Neil says: "The British insurance industry needs the flexibility that an offshore cnetre within the British Isles can give the London market.

"It would have to have between six and 12 syndicates dealing in high technology areas such as satellites and chemical industry liabilities.

"Decisions would be made here, but based on advice in London. Documentation would be issued from here. You could deal in these risks on a 10-year basis rather than the one-year basis of the UK. You could build up catastrophe reserves out of continuing profits," he adds.

Potential members of the exchange would be corporations which have established captive insurance companies to handle their own risks, normal insurance companies from around the world, as well as those involved in reinsurance.

Mr Neil says: "I would like to see a feasibility study carried jointly by industry and the insurance world."

He himself was a key figure in the 1970s' collaboration between the chemicals industry and major insurance companies on how to deal with the mounting cost of insuring risks in that sector, following which captive insurance companies became popular as inflation pushed premiums through the roof.

Opportunities for management

He says: "The big question facing world insurance markets is how do you build up funds to satisfy the needs of the 1990s?"

He hopes that the island's improving reputation as an insurance centre will help the ideas being taken seriously. Two years ago the island was a joke in the insurance world.

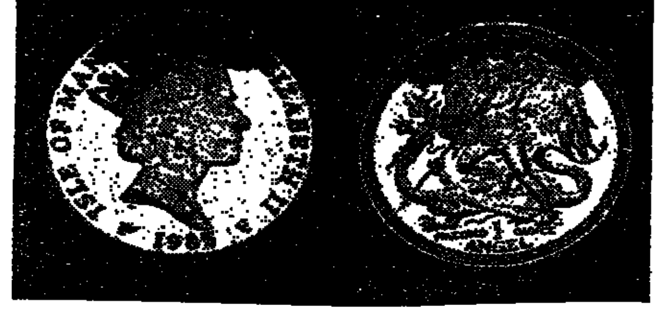
"There is a much greater awareness in the City now of the Isle of Man as a valid insurance sector. More and more people are coming to look, what we need are more people to live and work here in the business," he says.

The figures speak for themselves. From practically nothing in 1982, there are 32 licensed companies now—15 captives, seven life, six reinsurers, and four in general insurance. Six new ones have set up this year and one major broker.

Mr Neil wants incentives to persuade brokers who have set up in Guernsey to establish parallel operations in Douglas. He says there are growing management opportunities for capitives as interest in these companies grows in turn with rising premiums for industries with large but unlikely risks.

Mr Neil says: "Apart from taxation there are many other advantages here, such as space to move in, solidity and stability. We need a proper insurance infrastructure but I am very bullish about the next few years."

IAN HAMILTON FAZEY



The Isle of Man's new 1 oz gold Angel coin will soon be available to British and European buyers. The island's platinum Noble is already firmly established in the bullion market.

Golden Angel joins the bullion sector

New Coins

W. R. CLUCAS

BRITAIN'S GOLD sovereign has traditionally been a popular bullion coin. It has the disadvantage, however, of being an awkward weight, which is a reason why South Africa's krugerrand, containing an ounce of fine gold, has dominated the bullion market in recent years.

Now the krugerrand has two competitors. First newcomer in the field was the Canadian Government with its $50 Maple Leaf. This is also a fine gold, 1 oz coin.

The Isle of Man, already in the bullion coin field with the platinum Noble, produced in association with Pobjoy Mint of Surrey, is now entering the gold bullion coin sector with the Angel. This 1 oz coin is, technically, legal tender in the Isle of Man, with a £5 value. It is already on the U.S. market and will soon be available to British and European buyers.

It was in 1341 that the first coin to bear the name Angel was minted in France, with an English version following in 1465. Both coins had one common feature—the reverse side showed the Archangel Michael, slaying a dragon. The last English Angels were minted around 1631, and seem to have been part of the output of the first mechanical coin-producing process of Nicholas Briot.

Following tradition, the Manx Government has retained the ancient form of the reverse side for its coin. Medallic sculptor Leslie Lindsay was commissioned to design it. The figure of the Archangel Michael, slaying the dragon, is surrounded with a Celtic frame, having, at the top of the coin, the island's own three-leg crest.

Isle of Man Finance Board chairman, Dr David Moore is confident that the Angel will find acceptance in the bullion coin market.

"It is minted of European gold, and while the Maple Leaf may be the first alternative to the krugerrand, it has proved difficult to handle because of its softness. The Angel has no such problems," he says.

As the Angel coin gains recognition in the world's bullion market, there are plans to mint a family of Angels ranging in size from 10 ozs, which will be a 63mm-diameter coin, to a 0.1-oz coin which will have a diameter of 16.5mm.

In both France and England, the Angel has associations with a ceremony of touching for the King's Evil, an ancient tradition that the touch of a hand of the monarch could cure skin complaints.

By the reign of James I, English Angels were pierced with a hole so they could be worn as a pendant. The Pobjoy Mint, where the Angels are struck, is launching jewellery to keep up that tradition; each piece will carry a one Angel coin.

The Noble, the only platinum bullion coin, is now firmly established in the market. For the present, it is being minted in a 1-oz form, but the Manx Government has power to produce a family of Nobles, ranging, like the Angel, from 10 to one-tenth oz in weight.

Significant changes due next year

Political scene

IAN HAMILTON FAZEY

DR EDGAR MANN hopes for significant changes in the governance of the island during the next few years. But if he is cautious it is because he must secure the consent of Tynwald, the Manx Parliament, to achieve them. A single vote of no confidence would remove him in a flash.

Most people think, however, that Dr Mann is quite safe in his new job—the chairmanship of the island's Executive Council, or "Exco," as it is widely known. Stability has always been one of the Isle of Man's long suits and frequent changes of personnel would not fit with the image.

Dr Mann took over in March, succeeding Mr Percy Radcliffe on his retirement. The job makes him the Isle of Man's "Prime Minister," but it is not quite like such office elsewhere, which is one of the things Dr Mann hopes to see change.

House of Keys

He was elected by the whole of Tynwald, whose Lower House comprises the 24 directly-elected members of the House of Keys. The Keys elects eight of the 10 members of the Upper House, the Legislative Council.

Day-to-day running of Government is carried out by boards of Tynwald, covering such areas as finance—where Dr Mann was in charge—industry, tourism, harbours and the like.

The executive council used to comprise anyone Tynwald wished to put on it. Now, it automatically includes the chairmen of the boards. Dr Mann sees this as a first step towards cabinet government but it does not go the whole way because the "Prime Minister" does not pick his team: Tynwald appoints the board chairmen.

But constitutional changes mean that he will be able to choose for himself after the next elections for the Keys, in November, next year. The development will be significant for the island, bringing a co-ordinated thrust to central policymaking.

There is understandable nervousness about who will be elected to the pool he can choose from. And Dr Mann—who, as a member of the Upper House, does not have to face the general electorate—will not presume to take the confidence of the new Tynwald for granted.

The result is that many issues on the island have now gone into a political limbo. There is no party system — politicians function as independents—so no one wants to bind their successors.

However, Dr Mann is pressing on with what reforms he can, co-ordinating the boards more closely than ever. One vital area he is sorting out is promotion. Each board had its own budget for it and the messages did not always mesh. They are beginning to do so now.

He also wants to set up a sub-comittee of Exco to plan economic development, although some aspects of policy are already targeted firmly. Population growth is one of them, with a net increase of 10,000 in the next 10 years.

Dr Mann says: "We don't just want millionaires, whatever people think, and people who want to retire here with their assets will always be welcome. But we need vigorous people who can bring skills or money that will help develop our economy."

In fact, there is no immigration policy on the island, only control, via work-permits. Dr Mann says that permits will be no obstacle to anyone with skills to offer, particularly in the financial services sector. He himself proves the point. Despite his name, he is an immigrant, having moved from Britain only 12 years ago after a former colleague had left him his Manx medical practice.

Nor do immigrants have to come from Britain. Indeed, as the island develops in international financial markets, Dr Mann would like to see it becoming increasingly cosmopolitan, with many more new residents from Europe in particular.

One of the issues that has been shelved until after the elections is whether to abrogate the customs agreement with the UK. This gives the island the same rate of duty on goods as Britain and ties it to the UK's rate of value-added tax.

Two years ago, when the issue was last debated, manufacturing industry leaders carried the day amid fierce controversy. Some companies threatened closure or relocation back to Britain if they had to face customs barriers arising from abrogation, despite the fact that many find them no problem when exporting to other markets.

Since then, the debate has been simmering, with a much wider awareness of the issues and a better understanding of what lack of a customs agreement has done to stimulate the Channel Islands' economies. The sight of Irish visitors—who face much higher duties and sales taxes at home—spending significant sums on high-value electrical goods in Douglas shops has also made people pause in following the industrial lobby.

Dr Mann thinks that abrogation is probably inevitable and that the resultant reductions in duty would surely pay off, long-term. But he also says that politicians dare not take the risks of transition without mandate, which means that the issue is going to be a hot one in the election.

Hotel and boarding house owners on the Isle of Man are among the strongest supporters for the ending of the customs agreement with the UK—one of the key political issues to be faced in the island's general election in November 1986

Demand for more top-class hotels

Business accommodation

IAN HAMILTON FAZEY

LACK of international-class hotel rooms has been one of the most widely-criticised pieces of missing infrastructure needed by the Isle of Man's financial sector.

This year's suggested remedy has been to build a modern hotel and conference complex at Ronaldsway Airport. Favoured though this idea is in government circles, there is no sign yet of the real interest by a developer.

Meanwhile, the island's only sizeable concentration of standard rooms remains at the 138-room Palace Hotel on Douglas's Central Promenade. The hotel complex includes an exhibition and conference centre, as well as the island's Casino. Hobson's choice has been the usual reason given by many business travellers for staying there.

The Palace's response to criticism is, however, very obvious this year. So far, it has remodelled nine rooms as "executive" accommodation, spending about £7,000 on each.

These rooms are well up to average international standards, with good quality decor and furniture, trouser press, ample working surfaces and a table-top as well as a bedside telephone.

The developments have followed the arrival as general manager of Mr Barry Gregory, who has experience of American hotel-keeping. Along with four suites, they give the Palace a nucleus of higher quality rooms and are already in heavy demand by regular visitors.

About £500,000 has also been spent on the Palace Lido, the adjoining conference and exhibition centre, including advanced electronic equipment and laser lighting.

The Palace's management is sanguine about potential competition. Spokesman Paul Gaskell says: "The winter consumes most of the gains we make each summer. To operate the casino, we have to run for 22 hours a day throughout the year. There is no strong base of island residents to make the casino pay, so it is not as profitable as it might look."

Although cynics on the island might expect such discouragement of potential rivals, many concede the point. It will probably need substantial development of the financial sector, with a year-round flow of overnight visitors, for the market to become strong enough. The situation is classically chicken-and-egg with considerable downside risks for a developer, especially if the Palace continues to try harder.

PROFILE: ALBERT GUBAY

Millionaire with forceful views

ALBERT GUBAY, globe-trotting Welsh grocery millionaire, property developer and, from 1983, full-time Isle of Man resident, personifies a commercial aggression that is making some people in the Manx establishment rather uncomfortable.

There is a popular feeling that he should enter Manx politics to add some bulldozing force to the island's ponderous style. Staccato gestures emphasise and punctuate his reply.

"I don't want to be a big-shot," he says. "I am not interested in politics. I'm not that way inclined because I'm a bloody dictator. That's how it has to be when it's your own money at stake. That's why I am not involved with public companies."

Mr Gubay estimates that his company, Montrose Holdings, would be worth up to £200m if it were capitalised. He made his money out of the Kwik Save supermarket chain, using the proceeds from selling it to compound his fortune with similar ventures in the U.S. and New Zealand.

Last year, fed up with others making money on his money, he bought the Celtic Bank, on the Isle of Man. In January, he sold his last remaining grocery business—it was in Auckland—and settled down in what he regards as his real home.

He has had a house on the island since 1971 and has lived part of each year there ever since. His growing business in UK property developments has persuaded him to spend £2m on a 10-seater Gulfstream Commando jet-prop—he can get round several projects in a day and not have to use up any of the 90 nights he is allowed to spend in the UK without being classified as a resident for tax purposes.

He is also developing property on the island, spending £2m on a new building for his bank and £1m on a shopping precinct that will transform retail business in Ramsey. But he does not want these ventures misinterpreted: they are not specualtive—the Ramsey project centres on a supermarket pre-let to Lipton's and the bank is needed to advance his own business.

Criticisms

As far as entrepreneurialism is concerned on the island, Mr Gubay has gone on strike. The finger stabs the air again. "I am not going to invest further until the Isle of Man Government says clearly where it wants to go. We want firmer guidelines on attracting new residents and we should abrogate the customs agreement with the UK," he says.

"This island should stop comparing itself with the UK. It's just as valid to compare us with Ireland or Ethiopia. The comparison should be with the Channel Islands. People don't compare supermarket buildings, but the price of Heinz beans in each of them," he adds, criticising what he calls "marketing incompetence and down-beat style."

"I asked one of the local reporters once why they won't take notice of me. She said that I frighten them. Well, there are only 65,000 people here. It's not much bigger than a small business, in international terms."

"I am not prepared to put up speculative money unless the climate is right for attracting new entrepreneurs. The island should be duty free to get people over here to spend more," he says.

Mr Gubay even wrote to Professor Milton Friedman, offering to pay him a consultancy fee to advise on how to develop the Manx economy. Prof Friedman declined on the grounds of academic commitments, but suggested Mr Gubay try Prof Arnold Harberger, instead. Mr Gubay is considering this.

More immediately, he has put up a yearly £50,000 of prize money to attract new manufacturing companies. The first winners will be picked from a short-list of six later this year. There may be one or more prizes—or none. Any of the £50,000 that is not awarded will be given to a Manx charity.

It is a symptom of Manx suspiciousness that some people mutter darkly that his motive must be to acquire interests for his own gain in any promising new ventures that arrive. But Mr Gubay says he just wants a healthier economy so that everyone, including himself, can benefit in a general way.

Action man

The problem he faces, however, seems to be about style. Probably no government is entreprenurial enough for the speed of decision-making at which Mr Gubay functions. Red tape and "channels" enrage and frustrate him. He is the sort of proven action man who freezes bureaucrats into discomfited, shock-absorbing, unresponsive inaction. He says letters go unanswered and proposals disappear into the Manx network of governing boards.

An example was his offer to build a £3m multi-storey car park over them and bus station and air terminal to ease Douglas's chronic parking problem, the main characteristic of which is kerbside anarchy. This plan foundered when his agents told him that he would have to simultaneously persuade the Borough of Douglas, the Highways Board, the Passenger, Transport Board, the Airports Authority, and the Harbour Board, all of which could impose conditions.

When the Harbour Board vetoed the most logical entrance because it might cause traffic congestion on the adjoining quay, the Local Government Board's response was a prohibitively costly spiral ramp and bridge.

"There was no single person to negotiate with. I decided to put my money into the north west where they are more welcoming of new investments that create jobs," says Mr Gubay.

Perhaps Mr Gubay has been dealing at too low a level. Dr Edgar Mann, the new chairman of the Executive Council, is determined to make government decision-making better. He says: "We have never actually met. Mr Gubay has not directly approached any government department about what he feels should be done for the Isle of Man. I would be very happy to meet him, at any time."

There may well be a little of Mohammed-and-the-mountain about this, with Mr Gubay awaiting the call to advise and the government awaiting his offer. But he has struck some common chords and many think that as someone already putting a lot of his own money into the island, his views are worth more than most. Since he has put-off fellow millionaires who have recently asked his advice about investment, they are probably right.

IAN HAMILTON FAZEY

Set for an early flotation

Manx Airlines equity

IAN HAMILTON FAZEY

PART OF the equity in Manx Airlines will be floated later this year, fulfilling its initial promise to let islanders have a stake in the carrier if it became successful. But what is remarkable is that flotation—involving, initially, a fifth of the stock—comes less than three years after the airline started operations. A five-year time scale was originally thought the best that could be hoped for.

Manx is going to the market early because it is already paying back its original investors. It lost an expected £250,000 in its first year but wiped that out in its second. Chief Executive Terry Liddiard is expecting doubled profits of £500,000 in 1985.

Sales growth has gone from £7.4m in 1983 to about £8m last year and is budgeted at £10m this. Yet Manx took over the bulk of the island's air services after uphill struggle, constant losses and failure by British Airways. It was formed after its majority shareholder, British Midland, had stepped into the breach.

Good marketing is only part of the answer. Analysis of what Manx's management actually does tells much of the story and explains why a small, highly motivated, locally-based company can succeed where remote giants fail.

In fact, the management has to be very tight indeed. Tim Stevens, the commercial manager, says: "We carry more than 250,000 passengers a year now. If the average yield goes down by £2 per passenger, that wipes out the profit. One passenger less per flight would mean losses too. The balance is very fine."

The key to achieving this early was a decision to opt for completely computerised management systems from the outset, though the first system proved too small and had to be replaced within a year (it is now being adapted to do all of the company's word processing).

The 11 administrative and accounts staff use their terminals continuously, receiving nearly instantaneous feedback on operational performance. This is critical if fare yield per passenger is to be monitored. There may well be up to six different fare rates on any flight, depending on when passengers book and what special offers are available.

If the computer shows a drop in yield per flight it may lead to increased promotion for that particular route or to a reduction in capacity—one flight less perhaps—to get the figure back up. Or it may be because a special low-fare offer has proved more popular than anticipated, prompting its early curtailment.

The computer has also helped the airline to fight fare-abuse.

None of this would be any use at all, of course, if there were not enough passengers. Overall load factors on the main routes show just how well Manx has assessed the market—London, 64.8 per cent; Manchester, 66.4; Glasgow, 62.3; and Liverpool, 62.

Services

This level of use is achieved despite a drop to only 55 per cent seat occupation in the worst month of the year, February. Only the Dublin route does not make a profit, but Mr Liddiard says that this has to be borne if the airline is to give a truly comprehensive service at the hub of the Irish Sea. It also flies to Blackpool, Glasgow and Belfast, as well as linking the Northern Irish capital with Liverpool.

The other key element in Manx's success was fortuitous. It set up just as the Belfast planemaker, Short Brothers was starting to sweep into the marketplace with its new wide-bodied commuter aircraft, the 330 and the 360.

Manx now has two 360s, one 330 and one Viscount, the last of these part of its starting stock. It used an F-27 and a Bandeirate to establish routes and generate cash quickly so that the better aircraft could be acquired as soon as they became available.

This mixture of the old and the new forces a chalk-and-cheese situation to operating capital assets. Mr Liddiard says: "New technology makes modern planes expensive to acquire but cheap to fly, so you have to get them in the air as often as possible.

"The Viscount, on the other hand, came cheaply but running costs are high. So we don't mind it sitting around on the tarmac between London flights," he adds.

The 73-seat Viscount is used on the twice-daily London route and tells an interesting tale of marketing outlook. By being based at the island's Ronaldsway Airport, rather than Heathrow, the first London flight is at 7.40 am, time enough for business people to reach the city for mid-morning appointments.

It set off back to Ronaldsway at 9.30 am, a reasonable hour for south-east travellers to reach Heathrow but which still gives them time to make 11 am meetings in Douglas. With no travelling problems on the island, a fair day's work can be done before the return flight to London at 5.10 pm.

Meanwhile, the islander has until 7 pm before the flight back from London. Under previous managements, Heathrow-based timetables made it almost impossible to do a day's work in London without an overnight stop.

Small wonder then that the London route is busy, with 60,000 passengers a year. Mr Liddiard expects it to get busier, particularly as the island's financial sector develops. So he has just ordered one of the new £8m advanced turbo-prop (ATP) 70-seaters from British Aerospace.

This will be a lot cheaper to fly than the Viscount but the capital cost will preclude tarmac idleness. So a third London services will start, with a hop to Liverpool, in between.

Manx has also applied for a licence to operate from the Stolport (short take-off and landing) proposed for the London docklands. This would be an additional London service. But since it would require investment in a specialised high-technology aircraft, Manx would also need other routes to make it pay, so it has applied to fly from dockland to Paris, Brussels and Amsterdam, too.

When shares in the airline are offered, Mr Liddiard thinks that many of the 139 staff, most of whom live on the island, will be near the head of what most expect to be a queue of insatiable applicants.

Staff motivation, he says, is already high because of the airline's island base. Flexibility of working is the rule, with everyone pitching into anything if needed.

"As a small company we are very high on commitment," he says. Owning even a tiny piece of the action is thought likely to raise that commitment more.

Signs of recovery at last

Property market

W. R. CLUCAS

ONE of the more serious effects of the recent recession, as far as the Isle of Man was concerned, was the slump of prices in the property market.

It was the case of too many would-be sellers chasing too few buyers: estate agents were overloaded with properties for sale, and often had to persuade sellers to settle at well below the original asking price.

Now there are signs that there is a recovery and, while prices are still low, houses are now being sold more quickly; the surplus of available properties is being gradually absorbed.

Mr David Gawne of Chrystal Brothers, Stott and Kerruish, says there is a slight improvement in demand for domestic property. Although there was little difference in the demand for town or country houses, the market for guest houses is very low, reflecting the depressed state of the tourism sector.

Buyers in general are coming from the UK and the Channel Islands.

A spokesman for Cowley Groves notes a distinct upturn in the domestic property market; the company's main Douglas office reported sales of £1.5m in May.

Demand for housing has been experienced across a wide price range from £8,000 to £300,000.

For house-buyers, one problem is that building societies, while they can take deposits, cannot operate on the island. Mortgages come from banks and insurance companies, and private sources. For first-time buyers, the Manx Government operates a building society type mortgage system, with the rate of interest being just raised to 11 per cent.

Legislation before the British Parliament is likely to allow societies to operate on the island in the not-too-distant future. To prepare for that day, Tynwald is putting its own Building Societies' Act on the Statute Book.

Manx Line wins the shipping war

Steam Packet merger

IAN HAMILTON FAZEY

THE ISLE OF MAN'S seven-year shipping war ended in the spring with the surrender of the ancient, venerable and quaintly old-fashioned Steam Packet Company to the overwhelming resources of the invader, the Sealink-owned Manx Line.

The surrender was complicated and not unconditional. The effect was to merge the two companies' operations, with the Steam Packet acquiring a new company, Manx Line (1985), in exchange for giving Sealink a 40 per cent stake.

And although the steam packet is responsible for managing the merged services, the whole transaction was dependent on its agreeing to drop its 150-year-old link with the nearest big city, Liverpool, substituting Sealink's remote and dreary north Lancashire harbour at Heysham as its main UK terminal.

Not the same

Life on the island has not been the same since. The small shareholders had insufficient stock to stop the merger and keep the cherished link to Liverpool. Theoretically, Sealink's holding is not a majority one but the reality is that it is a controlling interest: the power of the other shareholders has been diluted and is fragmented anyway. On top of that, the Isle of Man Government voted its 15 per cent for the merger.

The reason why was the Government's duty to secure a reliable link to the UK mainland. What was happening was that both shipping lines were losing money in a market declining with the traditional tourist trade.

But the Steam Packet lacked Sealink's wider corporate resoures and was nearer to foundering. Its directors say that another winter's losses would have sunk it, losing its shareholders' money and leaving Sealink with absolute power. The merger salvaged everyone's interests.

The reality of who is in charge is emphasised by the fact tht Manx Line's main asset, a roll-on roll-off (ro-ro) car and freight ferry called the Manx Viking, was not included in the sale. What the Steam Packet got was mainly goodwill: it has to charter the Manx Viking from Sealink.

On top of all that, Sealink has put in its own man, Captain Andrew Douglas, as marketing manager. What is remarkable here is that Capt Douglas was a founder of Manx Line—Sealink bought it in 1980—and worked on afterwards as chief executive.

Four years ago relations between the two companies were bitter—and Capt Douglas told me he would never forgive Steam Packet directors for rejoicing publicly when Manx Line's linkspan—the adjustable ramp that gives access to a ro-ro—was severely damaged in a gale. The damage curtailed the company's operations for months and helped precipitate its sale to Sealink.

Although there is widespread sentiment for the Steam Packet, most people see its passage into Sealink's sphere of influence as inevitable. Convenient as they are for the Douglas Quay, the Steam Packet's side-loading ships are hopeless for bulk freight. The company consistently sailed behind the times, was slow into containers and only went into Ro-Ro freight in response to Manx Line's competition.

The Port of Liverpool also had a self-mutilating part in the drama. It insisted that the Steam Packet needed 44 people to overman the Mersey end of operations. They were paid Merseyside rates, putting considerable labour relations pressure on the Steam Packet for its dockers in Douglas to be given parity in terms of jobs—just 11 men did more work at Douglas—and wages.

It was only that the Transport and General Workers' Union was slow to exploit this bargaining power that prevented crisis developing more quickly. As it was, when faced with losing the Steam Packet for good, the Mersey Docks and Harbour Company was suddenly able to offer a reduction in manning to 21. By then, it was too late.

Savings

Captain Douglas says that crossing to Heysham is 13 miles shorter, producing a 25 per cent saving of fuel that will be worth £500,000 in a full year. Heysham's lack of facilities are thought irrelevant since the purpose of going there is to pass through as quickly as possible.

Deputy General Manager Mr Dick Reeves says that it takes only 10 minutes longer to get from the Heysham Quay to Birmingham, compared with the journey from the Liverpool Pier Head because the 30 miles of extra driving is nearly all motorway.

The Steam Packet's arguments would have gone down better on the island, however, if it had not had some unfortunate experiences with a second-hand ro-ro it bought last winter to sail the route. This ship, the Mona's Isle, is widely known now as "The Banana Boat" because it is bent six inches out of line amidships. Capt Douglas says this does not matter—the Manx Viking has a slight but permanent list to starboard, for instance, and operations are not affected.

Nostalgia

Meanwhile, the confidence of islanders remains shaken. Day trips to Liverpool for shopping are recalled fondly, even if most people hardly ever made them. Nostalgic stories are retailed of fresh vegetables being rushed from Liverpool Market to the quayside by taxi to catch the boat, despite the fact that refrigerated containers are the only way to actually shift enough supplies.

In the final analysis, the Steam packet had to succumb to commercial reality, whatever its status as a major Manx institution. That reality was getting grimmer: earlier this month T.T. passenger traffic was nearly 11 per cent down. As the Manx shipping war has proved, the declining tourist market cannot support two operators.

Steady flow of inquiries

New shipping register

W. R. CLUCAS

WITH THE coming into force on the island of the international Safety of Life at Sea Convention on July 1, the Isle of Man Shipping Register comes into being.

It was in 1974 that Wing Comm Roy MacDonald (chairman), and Mr John C. Clucas (vice-chairman), of the Isle of Man Harbour Board, announced the board's intention of seeing an independent shipping register set up.

Two paths had to be followed: Negotiations with the Department of Trade and Industry, and later with the Department of Transport had to be set up. Throughout these lengthy consultations, Mr MacDonald stressed the board's good relations with the British Government, and that the board's plans were made with the full approval of the UK.

The other path was within the island itself. While there was some martime law on the Manx Statute Book, it was, basically, British Maritime Law applied to the island, with Tynwald's approval.

Steadily, new measures were drafted and passed through the legislative branches of Tynwald; now, the island has its own modern Maritime Law Code, and has already shown, through cases brought before the courts by the Harbour Board, that it intends to enforce this code.

It was, perhaps, by way of a trial run that the island set up a pleasure craft register in 1976. This streamlined system of registration — the major requirement of which is that each registered pleasure craft carries a number plate — has gained international recognition, being accepted in the same way as the much more costly registration of yachts in other countries. The number plates, which must be prominently displayed, are also an aid to safety measures.

When the island established its own Customs Service, the Fishing Boat Register came under the control of the Harbour Board. Manx customs officers became ship registration officers, on behalf of the UK Government.

When the establishment of the register was announced, the National Union of Seamen criticised it, claiming that it could become a register for substandard ships, likely to endanger union members. However, the board's strict regulations which include a power to refuse to register any vessel, proves that the union fears were groundless.

Legislation passed by Tynwald enables the island to become a key seafaring territory. It can issue international certificates, accepted worldwide, allowing Manx-registered ships to proceed without hinderance.

There is an important condition for acceptance of a ship: it must be accepted as a British vessel under the 1894 Merchant Shipping Act and be owned or managed by a British citizen, resident on the island, or by a Manx-incorporated company which has its principal place of business on the island.

What, then, are the advantages of the Manx register?

For shipowners or managers, the benefits are financial. Direct taxation is low; income tax is at the single rate of 20p; and there is no other direct taxation on companies.

Shipowning, managing or chartering, company setting up on the island, can either take advantage of the Income Tax (Exempt Companies) Act which can apply to earnings arising outside the island; or they can elect to pay income tax in the normal way and take advantage of the capital allowances available.

The Manx Government has full control of direct taxation, and has not followed the UK in drastically reducing capital allowances.

These measures are constantly under review. As to crews serving abroad Manx registered ships, they can qualify if they are domiciled on the island.

Registration fees are the same as those in force in the UK. The Manx Government has agreed that it will not charge higher fees.

To enforce registration requirements, the Harbour Board has established its own surveys department. Heading it as Chief Marine Surveyor is Capt Geoffrey Davis, who took up the appointment after serving with the British Department of Transport, as a marine surveyor, latterly as Principal Nautical Surveyor for the Bristol Channel and South Wales.

Capt Davis supported by a team of specialists who can travel worldwide in the course of their duties. Additionally, five of the principal International Classification Societies have been appointed to carry out certain surveys and certification work on behalf of the Manx authorities.

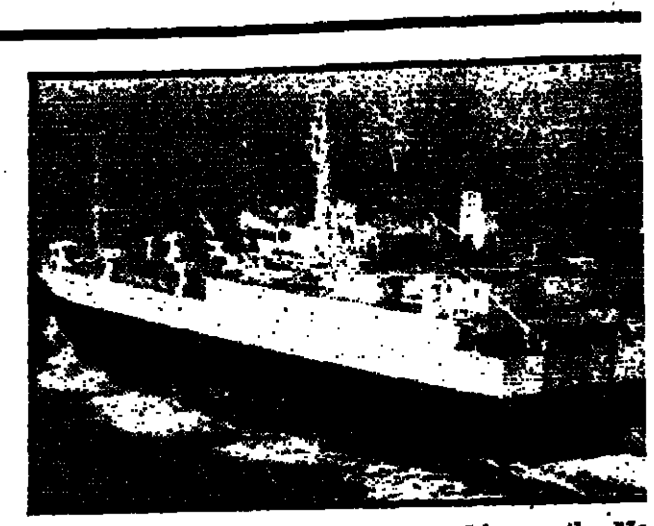
Capt Davis says that interest in the register is growing. There had been a steady flow of inquiries from companies. Reecntly, he was a member of a Manx Government party which visited New York to publicise the island. While there, he dealt with several inquiries from U.S. shipowning companies which, at present, have ships on the Hong Kong register.

Already there are two ship management companies firmly established in Douglas. First to arrive was a company of the Denholm group: established as Denholm (I.O.M.), the company has, at present, eight ships and expects soon to add several more, owned by a major British company, to its fleet.

Mr Robert Speedie, general manager, says that the company is now steadily expanding. Denholm has been able to provide employment opportunities for Manx seafarers, as well as office staff.

Denholm was followed by Aallems, who set up Wallems Ship Management (I.O.M.), also in Douglas. For that international company.

Mr David Precious of Aallems says that the international company is expanding steadily with a growing number of ships under management.



M.V. Goodwood, one of the largest ships on the Ma[nx] register. The vessel is managed by Wallem S[hip] Management and operates in the Carline pool, carryi[ng] up to 600 vehicles. The Goodwood is registered [in] Castletown

A battle against costs

Freight services

W. R. CLUCAS

LIKE MOST islanders, the people of the Isle of Man have to import many of their material needs which, in turn, means that importers have to meet freight charges. And with the arrival of roll-on, roll-off ships this meant high costs for bulky cargoes.

As importers sought to keep down costs, and they found it cheaper in many cases for suppliers to transport goods to a large port, then ship them to the island by a local freight break-bulk service.

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New closed season announced

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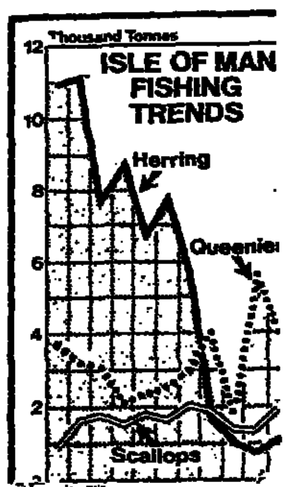

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Moves to attract more visitors

Tourism sector

W. R. CLUCAS

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But the island *is* a tourist centre, and has a great deal to offer visitors, so the industry, although it is not as prosperous as it was, still has its part to play in the island's economy.

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What is the industry's future? What has gone wrong to cause the decline? These are not easy questions to answer, but observers claim that some of the blame must lie with Tynwald and the island's Tourist Board.

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Steady flow of inquiries

New shipping register

W. R. CLUCAS

WITH THE coming into force on the island of the international Safety of Life at Sea Convention on July 1, the Isle of Man Shipping Register comes into being.

It was in 1974 that Wing Comm Roy MacDonald (chairman), and Mr John C. Clucas (vice-chairman), of the Isle of Man Harbour Board, announced the board's intention of seeing an independent shipping register set up.

Two paths had to be followed: Negotiations with the Department of Trade and Industry, and later with the Department of Transport had to be set up. Throughout these lengthy consultations, Mr MacDonald stressed the board's good relations with the British Government, and that the board's plans were made with the full approval of the UK.

The other path was within the island itself. While there was some martime law on the Manx Statute Book, it was, basically, British Maritime Law applied to the island, with Tynwald's approval.

Steadily, new measures were drafted and passed through the legislative branches of Tynwald; now, the island has its own modern Maritime Law Code, and has already shown, through cases brought before the courts by the Harbour Board, that it intends to enforce this code.

It was, perhaps, by way of a trial run that the island set up a pleasure craft register in 1976. This streamlined system of registration — the major requirement of which is that each registered pleasure craft carries a number plate — has gained international recognition, being accepted in the same way as the much more costly registration of yachts in other countries. The number plates, which must be prominently displayed, are also an aid to safety measures.

When the island established its own Customs Service, the Fishing Boat Register came under the control of the Harbour Board. Manx customs officers became ship registration officers, on behalf of the UK Government.

When the establishment of the register was announced, the National Union of Seamen criticised it, claiming that it could become a register for substandard ships, likely to endanger union members. However, the board's strict regulations which include a power to refuse to register any vessel, proves that the union fears were groundless.

Legislation passed by Tynwald enables the island to become a key seafaring territory. It can issue international certificates, accepted worldwide, allowing Manx-registered ships to proceed without hinderance.

There is an important condition for acceptance of a ship: it must be accepted as a British vessel under the 1894 Merchant Shipping Act and be owned or managed by a British citizen, resident on the island, or by a Manx-incorporated company which has its principal place of business on the island.

What, then, are the advantages of the Manx register?

For shipowners or managers, the benefits are financial. Direct taxation is low; income tax is at the single rate of 20p; and there is no other direct taxation on companies.

Shipowning, managing or chartering, company setting up on the island, can either take advantage of the Income Tax (Exempt Companies) Act which can apply to earnings arising outside the island; or they can elect to pay income tax in the normal way and take advantage of the capital allowances available.

The Manx Government has full control of direct taxation, and has not followed the UK in drastically reducing capital allowances.

These measures are constantly under review. As to crews serving abroad Manx registered ships, they can qualify if they are domiciled on the island.

Registration fees are the same as those in force in the UK. The Manx Government has agreed that it will not charge higher fees.

To enforce registration requirements, the Harbour Board has established its own surveys department. Heading it as Chief Marine Surveyor is Capt Geoffrey Davis, who took up the appointment after serving with the British Department of Transport, as a marine surveyor, latterly as Principal Nautical Surveyor for the Bristol Channel and South Wales.

Capt Davis supported by a team of specialists who can travel worldwide in the course of their duties. Additionally, five of the principal International Classification Societies have been appointed to carry out certain surveys and certification work on behalf of the Manx authorities.

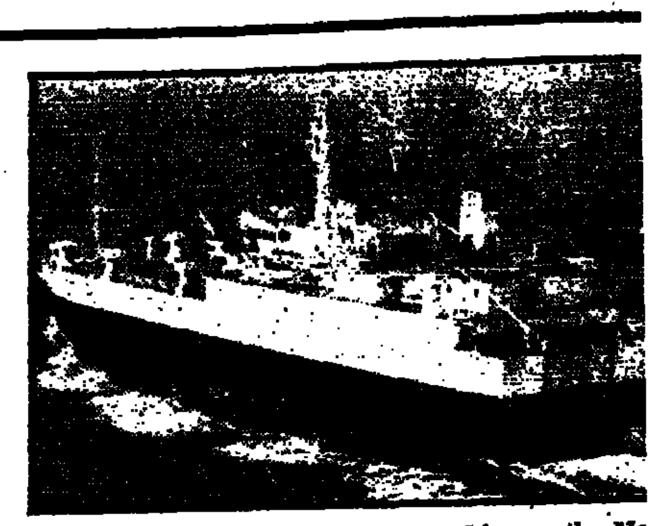
Capt Davis says that interest in the register is growing. There had been a steady flow of inquiries from companies. Reecntly, he was a member of a Manx Government party which visited New York to publicise the island. While there, he dealt with several inquiries from U.S. shipowning companies which, at present, have ships on the Hong Kong register.

Already there are two ship management companies firmly established in Douglas. First to arrive was a company of the Denholm group: established as Denholm (I.O.M.), the company has, at present, eight ships and expects soon to add several more, owned by a major British company, to its fleet.

Mr Robert Speedie, general manager, says that the company is now steadily expanding. Denholm has been able to provide employment opportunities for Manx seafarers, as well as office staff.

Denholm was followed by Aallems, who set up Wallems Ship Management (I.O.M.), also in Douglas. For that international company.

Mr David Precious of Aallems says that the international company is expanding steadily with a growing number of ships under management.



M.V. Goodwood, one of the largest ships on the Ma[nx] register. The vessel is managed by Wallem S[hip] Management and operates in the Carline pool, carryi[ng] up to 600 vehicles. The Goodwood is registered [in] Castletown

A battle against costs

Freight services

W. R. CLUCAS

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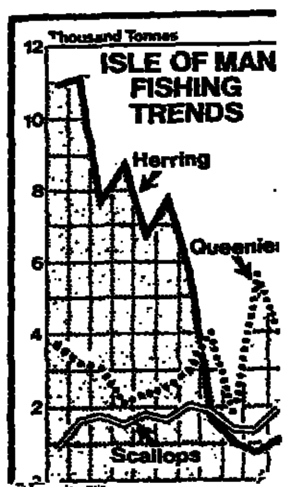

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